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COMMERCE

Magazine

Funds for Small Business

Politics' Biggest Show

The Steel Case

Factors in Renegotiation

Britain's Bid for Exports

May, 1952 • 35 Cents

MODERN CHICAGO BELTING POWER TRANSMISSION DRIVES ARE ENGINEERED TO YOUR SPECIFIC REQUIREMENTS

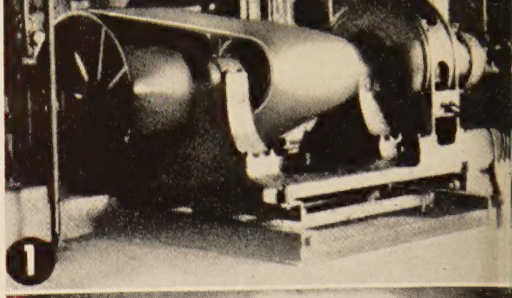


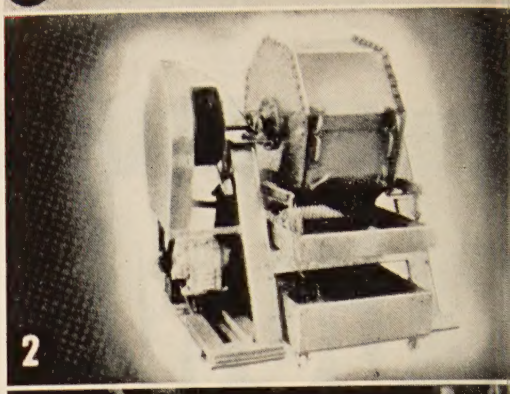
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SALES ENGINEERS CAN MODERNIZE YOUR PLANT

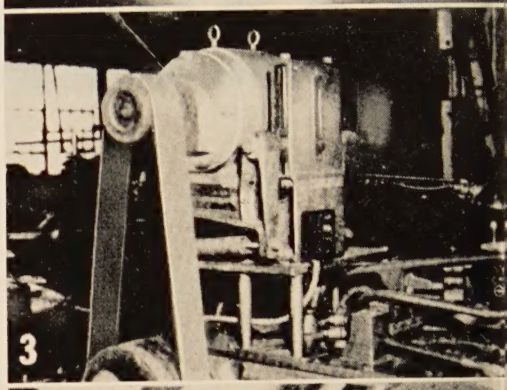
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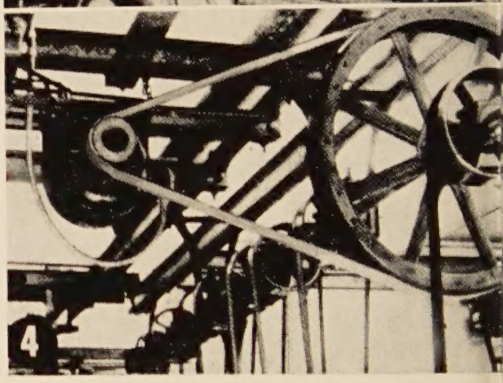
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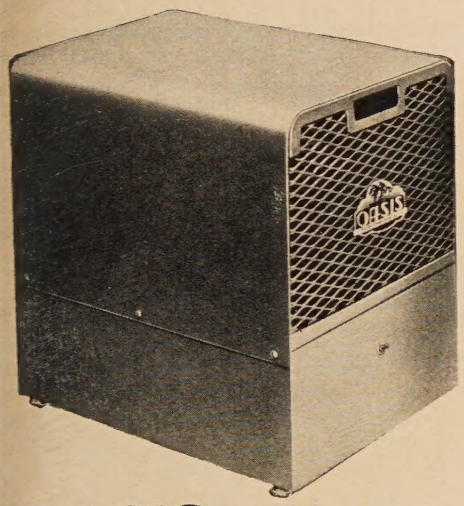
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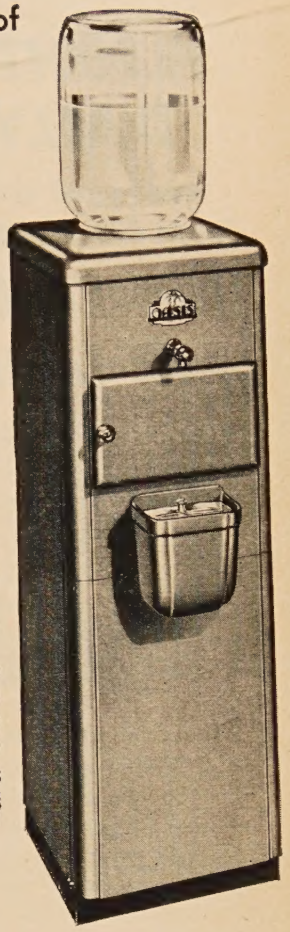
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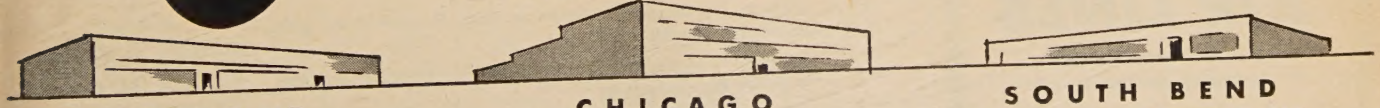
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statistics of . . .

Chicago Business

	March, 1952	February, 1952	March, 1951
Building permits	1,391	481	68
Cost	$ 15,904,000	$ 7,947,000	$ 35,997,000
Contracts awarded on building projects, Cook Co.	1,601	809	1,53
Cost (F. W. Dodge Corp.)	$ 44,191,000	$ 30,112,000	$ 45,855,000
Real estate transfers	6,121	4,894	5,89
Consideration	$ 5,708,605	$ 3,530,660	$ 5,594,25
Department store sales index (Federal Reserve Board) (Daily average 1947-49 = 100)	102.2*	83.4	92.2
Bank clearings	$ 3,689,422,327	$ 3,421,399,880	$ 3,861,844,11
Bank debits to individual accounts:			
7th Federal Reserve District	$21,376,849,000	$18,633,403,000	$22,021,876,000
Chicago only (Federal Reserve Board)	$11,291,509,000	$ 9,326,513,000	$11,429,405,000
Railway Express shipments, Chicago area	1,076,909	1,086,741	1,006,13
Air express shipments, Chicago area	58,342	56,058	65,378
L.C.L. merchandise cars	18,407	18,547	22,85
Electric power production, kwh	1,275,063,000	1,220,594,000	1,237,316,000
Industrial gas sales, therms	13,749,376	12,942,884	9,682,62
Revenue passengers carried by Chicago Transit Authority lines:			
Surface division	45,983,350	44,096,663	53,327,42
Rapid transit division	13,327,912	12,957,228	13,170,11
Postal receipts	$ 10,769,714	$ 9,904,250	$ 10,804,41
Air passengers:			
Arrivals	191,643	162,355	166,62
Departures	199,966	172,972	174,20
Consumers' Price Index (1935-39 = 100)	192.7	191.9	189.4
Receipts of salable livestock	416,461	448,476	337,22
Families on relief rolls:			
Cook County	20,718	20,650	24,92
Other Illinois counties	14,506	14,792	18,46

*Preliminary figure.

June, 1952, Tax Calendar

Date Due	Tax	Returnable to
1	File Illinois Capital Stock Tax return	Director of Revenue
15	If total O.A.B. taxes (employer and employe) plus income tax withheld in previous month exceeds $100, pay amount to	Authorized Depositary
15	Payment of one-quarter of 1952 estimated tax found due March 15th by individuals. (Those required to file declaration for first time, or making revised declaration, pay one-third of the balance of 1952 estimated tax)	Collector of Internal Revenue
15	Illinois Retailers' Occupation Tax Return and payment for month of May	Director of Revenue
15	Second installment (30%) of 1951 Federal Income Tax by Corporations	Collector of Internal Revenue
15	Payment of Federal Income Tax withheld at source	Collector of Internal Revenue
15	Federal Excise Tax return and payment due for May, 1952	Collector of Internal Revenue

COMMERCE

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May, 1952

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in this issue...

Chicago, as practically everyone knows by now, will be the host this summer to the national nominating conventions to be held in the International Amphitheatre in July. Getting ready for the big political shows is a colossal business, Betty Savesky has discovered after talking to television, radio, telegraph, hotel and city officials, as well as scores of other folks who are working on the job. She reports on these interesting convention preparations in an article beginning on page 13.

• • •

In presenting his appraisal of the steel dispute, Economist Sumner H. Slichter is not so much concerned with day-to-day headlines, but more with the fundamental issues involved in the WSB decision and in government seizure of private industry. In his analysis of the steel case (p. 16), Dr. Slichter makes a strong argument for new legislation clarifying the WSB's duties and responsibilities, and also the government's power to cope with labor disputes that threaten the nation's economy.

• • •

Renegotiation is no easy subject, as most businessmen know. But many today must live with renegotiation, and this month COMMERCE presents a highly authoritative explanation of current renegotiation legislation, how it operates and whom it affects. The article, by Ross Pancoast, director of procurement affairs of the Renegotiation Board, begins on page 19.

• • •

Joseph K. Wexman, director of the management seminar for smaller business at the University of Chicago, gives small businessmen a number of suggestions as to how they can raise needed capital in an article beginning on page 16. Correspondent Mitchell Gordon describes the British Industries Fair and its significance to England's weakened economy in an article beginning on page 21. The big fair, which draws buyers from all the world, is a big factor in England's hopes for a larger export trade.

a *jet propelled* target for our boys to shoot at!



In the split second between here and Eternity, fighter pilots must have razor sharp reflexes to secure victory in combat. New types of radio-controlled target pilotless aircraft developed these reflexes through gunnery practice. Globe engineers are specialists in this extremely important and highly specialized field of aeronautical engineering. The extensive background of specialists in engineering experience in this field makes Globe Corporation, Aircraft Division, a prime source for such design and development.

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The Editor's Page

Monopoly's Collective Bargaining

The strike and seizure of the steel industry and the strike in the oil industry demonstrate that the country under present law has no means of protecting the public welfare against big labor. In the name of collective bargaining, we have created a Frankenstein. The problem is what to do about it.

President Truman's answer—seizure—is no solution even if the Supreme Court should hold the procedure constitutional. That is proved by the fact that the government has been operating the railroads for almost two years and still has not effected a settlement of the labor dispute which brought about the seizure.

Arbitration by a government board, no matter how fairly the board may be constituted, defeats the very purpose of collective bargaining. The record shows that where such a board exists, disputes are almost never settled at the employer-union level. Invariably, one party or the other, usually the union, holds out until its case goes before the board in the belief that the board will improve on the employer's best offer.

The answer to our dilemma would seem to be to go back to first principles. We set out to provide for collective bargaining between employes and employer. What we have wound up with is industry-wide bargaining in which national unions have a complete monopoly over the workers in whole industries. The result is the elimination of competition between the employes of various companies and industrywide strikes which in truth are strikes against the public.

It is this monopoly power, not collective bargaining, that has produced the present crisis. Yet there is no more reason why all of the employes of an industry should be permitted to combine to set the price for their services than there is for permitting all employers to combine to set the price for their product. As a practical matter, there is even less reason because company monopolies can be regulated. Dealing with unions composed of hundreds of thousands of members is another matter, however. They may or they may not respect an injunction.

Congress may try palliatives to correct the situation and protect the public. It is difficult to see, however, how there can be any real cure until the basic fault, monopoly, is outlawed just as it was outlawed long ago for employers.

Industry and Education

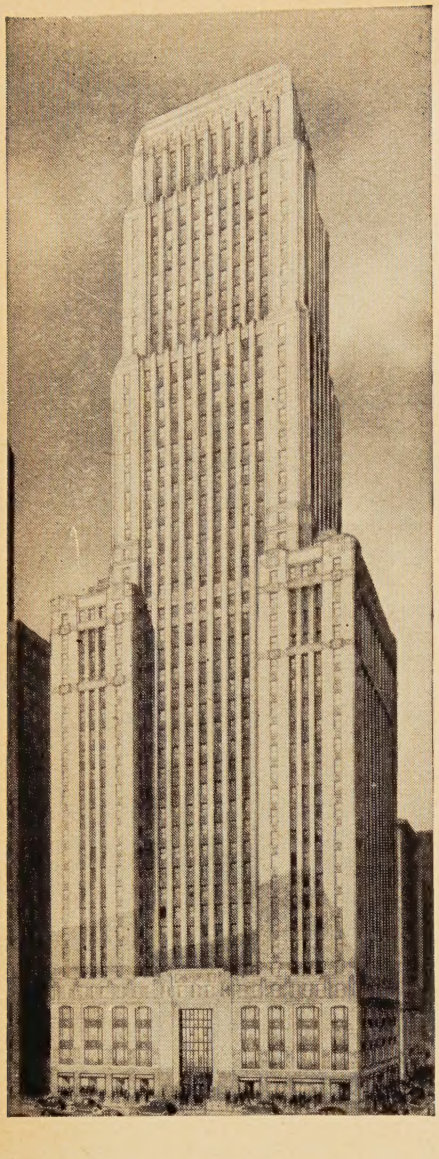
For altogether too long, industry and education operated in distinctly separate worlds. Each knew little about the other. That was an unhealthy situation and many a wise businessman and educator set to work to correct matters. Today we are seeing their efforts bear fruit. Industry and education not only recognize their stake in each other's well being, they are working hand-in-hand as never before.

The "Business, Industry and Education Day" idea, originated several years ago as a means of familiarizing educators with the current problems and plans of businessmen, has been well publicized in the business press. The "BI&E Day" idea has been picked up across the nation with uniformly excellent results. But today industry and education are exchanging knowledge and know-how on a far more extensive basis. One large oil company, for example, has "borrowed" five professors of the social sciences this year to supplement its executive staff. They are busily at work on a number of practical problems, including employe relations, market analysis, and dealer and community attitudes toward the company. Doubtless they are also picking up a wealth of firsthand knowledge and understanding of business to take back to their classrooms.

This is part of a plan, already being tried by other companies and universities, whereby groups of professors take a year off from academic duties and work in industry. Then there's another proposal in the planning stage that would give teachers alternate periods of teaching and industrial work on the pattern of the alternative work-study idea originated years ago for students. Another plan would involve the periodic "exchange" of personnel between business and education, teachers working in industry for six months or a year while a comparable number of management men would go into the classroom and help educate students.

While there are obvious problems involved in such programs, not the least of which is housing, the participating universities and business concerns are nonetheless enthusiastic for these progressive experiments. Business gets a fresh, impartial viewpoint on its day-to-day problems. The professors get a liberal course on how business operates when there's no textbook to refer to. It is to be hoped that more and more companies will take advantage of the opportunity at hand. Clearly, it is a case of everybody concerned benefiting.

Allan Sturdy



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Here...There... and Everywhere

• ***Nighttime Prospectors*** — If the janitors at Sheaffer Pen Company in Fort Madison, Iowa, worked for nothing, they would still have good jobs if allowed to keep the refuse they collect at night. Sheaffer reports that nightly "dust collections" at the plant contain about $100,000 worth of gold a year. The gold dust, liberated in grinding gold-pen points and trimmings, is recovered with vacuum cleaners and then reclaimed by smelting and refining.

• ***Add Scrap Drive*** — Since last summer, the auto industry has turned up enough dormant scrap metal to equal the weight of more than 55,400 average automobiles. The Automobile Manufacturers Association reports that the industry had collected 176 million pounds of non-production scrap by the end of January, in addition to the tons of metal regularly returned to the mills from manufacturing operations.

• ***Lost Dollars*** — If employes of the Washington National Insurance Company of Evanston, Illinois, ever had any doubt of the hefty bite that Uncle Sam takes from their paychecks, they should no longer. On a recent payday, the company included with each employe's check a number of "non-negotiable tax money" dollar bills, representing the amount withheld for income tax purposes. As the company put it, "When employes had an opportunity to handle all the 'dollars' which are withheld, there was a sobering impression not obtained from merely seeing on their check stubs a figure under the heading, 'Federal Tax.'"

• ***And Without a Union!*** — Commerce Clearing House reports that even the unemployed are getting raises these days. Twenty-four states have increased unemployment compensation benefits in the last 11 months, while legislation for increases is pending in five other states. The raises range from $32 to $280 for the maximum periods and include increases in weekly benefits and in the number of weeks in a year for which compensation is allowed. Wisconsin continues to pay the highest unemployment benefits: $30 a week for as long as 26½ weeks for a total of $795.

• ***Industrial Betatrons*** — Three 24-million-volt betatrons, the first ever built for industrial operations, are now being used in steel foundries to speed the production of armor steel castings for tanks. Costing about $225,000 each, the betatrons penetrate seven to nine inches of armor steel in about a minute and are used for inspection purposes. One of the big units is operated by the Continental Foundry and Machine Company at East Chicago, Ind. The remainder are in Eastern foundries.

• ***The Sulphur Network*** — A microwave radio communication network, the first to link remote industrial operations with a city headquarters, has been approved by the FCC for use by the Freeport Sulphur Company at its new Louisiana sulphur developments. The 300-square-mile area is desolate marshland on which it would be impractical to construct and maintain telephone lines. The microwave system will enable Freeport's southern headquarters at New Orleans to keep in constant touch with all mining operations on the Gulf of Mexico.

• ***Jet-Pressure Cans*** — Jet propulsion techniques, says the American Can Company, are being applied by can manufacturers in developing new pressure containers to package a wide range of products ranging

rom shaving cream to lubricants. merican Can alone produces metal jet-containers" for 20 different roducts which are pressure-pro-elled at the touch of a valve, and ew ideas for the jet application re constantly under trial.

Versatile Diesel — A new Diesel ocomotive, the "Military Road witcher 1," that can be operated n virtually any track except nar-ow gauge has been developed for he army by General Motors' Electro-Motive Division at La Grange, Ill. The locomotive can be operated uccessfully in temperatures ranging rom —40 F. to 125 F. By simple nechanical adjustments its wheels an be moved on the axles so that t can run on tracks ranging from he standard American width up to he widest encountered on railroads nywhere.

Steel Treatment — A chemical fa-niliar to the housewife is now be-ng used by steelmakers to keep teel free of harmful oxides. Ra-orite, a sodium borate ore concen-rate — or more familiarly, borax — s replacing aluminum as a deoxi-izer in the manufacture of rimmed teel, so called because on "freez-ng" in the ingot mold an outer im is formed, which contains less arbon, phosphorus and sulphur han the average composition of the ngot. Rasorite has been used as a eplacement for aluminum since the atter has become scarce and ex-ensive.

This Customer Is Always . . . — t was in 1865 that Marshall Field, whose store is now celebrating its 100th anniversary, startled the retail world with this terse notice: "Pur-chases made at my establishment hat prove unsatisfactory either in rice, quality or style, can be re-turned for which the purchase money will be with pleasure re-turned." The policy has led to many an amusing episode. Examples: Once Field complained to a buyer that he never could get the $800 asking price for an Italian table cloth. Later, Field apologized to the buyer, adding, "I dined on that table cloth at a friend's house last night." Came the embarrassed re-ply, "Sorry, Mr. Field. She took it on approval yesterday morning and

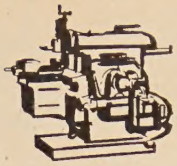
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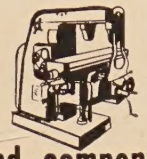
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Trends . . . in Finance and Business

• ***The Hidden Punch*** — The fastest rising federal taxes since the war have been "hidden" levies that many people seldom think about. Commerce Clearing House reports that during the last five years manufacturers' excise taxes, which are passed on to the retail customer, have increased 324 per cent or about 13 times faster than all federal taxes combined. During the same period all federal taxes increased 24 per cent.

CCH notes these examples of the soaring cost of "hidden taxes: Purchasers of automobiles, auto parts and tires paid $1,092 million in such taxes last year, against $250 million in 1946. Buyers of some 30 other items including business machines, photographic equipment, electric, gas and oil appliances, musical instruments, radios and sports equipment paid $532 million in 1951, against $133 million in 1946.

Worse still, the hidden tax punch is getting more painful right along. Under last year's revenue act, the auto tax has been boosted from seven to 10 per cent. On sports equipment the tax has gone from 10 to 15 per cent, and there's a new 15 per cent tax on pens, mechanical pencils, and lighters. And, since the tax is assessed against the manufacturer, the poor old taxpayer never gets an income tax deduction on the "hidden" taxes he pays.

• ***Savings Outlook*** — The United States Savings and Loan League believes that personal savings will continue at present high levels during the remainder of 1952 — unless an international incident sets off a new wave of scare buying. The League's "Quarterly Letter" adds, however, that the rate of savings may be depressed "if prices stiffen somewhat and there appears to be no immediate reason for postponing purchases in the hope of lower prices."

The League notes that personal savings during the first quarter of 1951 were considerably ahead of the same period in 1951, when, of course, consumer spending was at an exceptionally high level as a result of the scare buying that followed China's intervention in the Korean war. One factor which the League believes will tend to hold savings at a high level is the uncertainty of an election year, which makes many an average citizen hold on to his money until the political outlook clarifies in November.

• ***Ad Costs Rising*** — Like everything else, the cost of advertising is rising these days — but not quite as rapidly as the prices of the products advertised. So declares the Chicago ad agency, Needham, Louis and Brorby, Inc., in its latest analysis of advertising costs, which, for the first time, includes television among the media considered. To obtain the same family coverage on a national basis, the agency declares, advertisers must spend 10 per cent more dollars this year than in 1951.

To get the same circulation, as distinguished from coverage, as in 1951, the advertiser this year must spend eight per cent more dollars. To get the same circulation as in 1941, he must spend 32 per cent more dollars. However, since the total market is bigger today, an advertiser must spend 69 per cent more dollars than in 1941 and 10 per cent more dollars than last year.

(Continued on page 39)



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Coming: politics' "biggest show on earth"

By Betty Savesky

60 million people will have TV ringside seats for the July conventions in Chicago's Amphitheatre

THE hoopla, drama and excitement of Democracy's greatest political show, the national nominating conventions, will be within viewing distance of 60,000,000 Americans this summer when the two major political parties meet in Chicago's International Amphitheatre. Thanks to the prowling eye of television, there will be no less than 17,500,000 front row seats for the big show. That's how many TV receivers will be within range of live telecasts from the convention floor.

But, before the history-making conventions begin — the Republican on July 7 and the Democratic on July 21 — a staggering total of dollars and man hours will have been expended on preliminary preparations. The Amphitheatre itself will have been airconditioned and refurbished, streets leading to it will have been widened and resurfaced, and millions of dollars of communication equipment will have been moved into the Amphitheatre and the Conrad Hilton Hotel, the latter to become the nerve center for all news-gathering organizations covering the conventions.

Chicago won the conventions this year because of its vast resources as a convention city, plus the fact that its business community came up with $500,000, set as the minimum operating cost of the two political powwows. That figure is a heftily inflated 233 per cent above the $150,000 subscription with which Chicago lured the 1944 nominating sessions to the city. And it's also above the $400,000 pledge that won Philadelphia the 1948 conventions.

U.P. Photo

← Before the convention hoopla and excitement begins next July, a staggering total of dollars will be expended on preparations.

Skyrocketing Costs

Thus, the cost of high level politics is not only rising, it is skyrocketing. This year's political double-feature will be far and away the most costly in history. While some of the physical improvements installed for the convention will have lasting value, much of the money will accomplish about as much as that spent on a big and noisy fireworks demonstration.

The biggest bill will be paid by radio and television networks and their commercial sponsors for the most ambitious coverage of all time. Of the nation's 108 TV stations, 105 will have access to live convention telecasts. For the privilege of reaching this potential audience of 60,000,000, plus practically all of the remainder of the population who can listen via radio, sponsors will foot a bill running well into the millions.

While there have been no precise indications of the cost of bringing the conventions to the radio and television audience, the estimates of those involved in the undertaking make it clear that it will be one of the most expensive radio-TV deals in history. Three television set makers — Westinghouse, Philco and Admiral — will sponsor the conventions as well as election night coverage on CBS, NBC and ABC. Westinghouse has earmarked $3,000,000 for sponsorship of a package deal including both events plus a 13-week get-out-the-vote campaign. Philco figures its sponsorship of convention-election events will cost about $3,500,000 and Admiral calculates its bill at more than $2,000,000. The bulk of this total $8,500,000 sponsorship bill will, of course, be spent on the conventions.

The networks have been reticent on cost figures, but indications are that the sponsors' contributions will fall considerably short of the networks' gross expenditures in covering the conventions. CBS and NBC officials made a guess recently that the conventions will cost each network about $1,300,000 — over and above the amount received from sponsors. The latter figure includes the cost of cancelling about $800,000 in regular commercial programs by each network during the convention weeks. These figures may be

highly conservative, however, for preparation costs have been climbing as the conventions near. One trade paper has estimated that the total convention coverage cost to both sponsors and networks may reach $15,000,000 before the last switch is flipped closed in late July.

Cool, Calm Delegates!

Of more permanent value will be the $500,000 improvement job on the International Amphitheatre, which includes a $300,000 air-conditioning installation designed to cool the brows of convention delegates who will be obliged to sit under a blazing barrage of TV, newsreel and photographers' lights. Even with this added heat, the air-conditioning should keep the delegates plus 2,000 announcers, reporters and technical crewmen comfortable. The big cooling plant, housed in a new 20 by 60 foot addition to the Amphitheatre, is designed to keep the interior of the building 15 degrees below outside temperature.

Hammers and saws have been busy in the Amphitheatre since early this year. A speakers' platform is being built, along with six radio booths above and behind the arena stage and platforms from which TV cameras will scrutinize the arena in their curious and all-searching fashion. The Amphitheatre is adding a $20,000 public address system to supplement its present system, and is also improving its 3,000-car parking area as well as the Stock Yard Inn, adjacent to the main building.

Illinois Bell Telephone, meanwhile, is laying eight co-axial TV cables into the Amphitheatre, plus a ninth cable carrying 707 pairs of telephone lines. Western Union, which will handle the millions of words of news copy flowing from the Amphitheatre and from press rooms in the Hilton Hotel, will install enough equipment in the two locations to carry the normal telegraphic load of Kansas City. Convention news will be teletyped daily to more than 800 newspapers. At the Hilton Hotel one press room will have 75 teleprinters while additional direct circuits will be installed in individual hotel rooms for the major daily newspapers. Another 75 teleprinters will clatter in deafening unison at the Amphitheatre press room.

Western Union, which is adding $200,000 worth of extra equipment for the convention period, will provide every hotel accommodating conventioneers with special facilities for sending money orders and urgent telegrams. In addition, it will have a master "location list" of all delegates and alternates, showing their seating positions on the convention floor and their hotel room so they can be reached in a hurry. Western Union will also have on hand the daily deadlines of all newspapers served by direct circuit from the convention.

While Chicago plays host to 1,000 conventions a year, several of which draw a larger attendance than the political shindigs, the city is already in the course of a municipal beautification treatment in preparation for the big shows. About $1,960,000 is being spent to repair, resurface and otherwise improve the principal streets that will carry traffic to and from the conventions.

Street Improvements

Of this amount, $1,175,000 will be used to resurface streets like 35th from State to Ashland and 47th from State to Halsted. Thirty-fifth street will be widened to a uniform 40 feet, and east-west streets—43rd, Pershing Road, 31st and 26th from South Parkway to Halsted—will be spruced up for the visiting dignitaries. Wabash, Wentworth, Halsted, Union, and Archer are also scheduled for work crews. The city will spend the rest of the appropriation for 700 new street lights and 22 new stop lights on southside thoroughfares.

All transportation facilities in the

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Chicago's International Amphitheatre is now in the course of a half-million-dollar refurbishing job, including air-conditioning

J. F. Abernathy



Capital for small business

Suggestions for the small concern seeking longer-term financing

By Joseph K. Wexman

NOT infrequently the argument is heard that small business cannot get adequate capital financing or credit. This is customarily followed by a statement to the effect that the government should step into the alleged void and, in one form or another, subsidize loans to small business. Admittedly, capital funds are not easily secured, but government lending is no solution to this important small business problem.

My experience as director of the Management Seminar for Smaller Business at the University of Chicago has convinced me that most deserving small businesses do find satisfactory short-term financing. Many small businessmen, however, could meet their long-term financial problems more successfully if they were aware of recent developments in the policy of certain finance companies. This trend decidedly favors smaller business.

Short-term Credit

The normal requirements of small business for short-term credit are more or less fully met. Business periodically needs such added funds to build up inventories or to meet payrolls until payment has been received from sales, or to take advantage of a "good buy."

For such short-term borrowing, small business gets (1) ordinary mercantile credit for suppliers, usually 30 to 90 days, (2) bank loans, normally from two to six months, (3) bank and finance company loans against receivables, inventories, or other collateral, with payment within about a year. Sometimes a small businessman may find the short-term funds he needs right in his own business, by simply speeding up collections, improving inventory control, or trimming overhead.

A department store with annual sales of about $300,000 once applied for a $30,000 increase in its bank line to carry increased customer accounts. When the bank declined, the company president began looking for money in his own organization. He eliminated slow moving items, balanced his inventory, improved collection follow-ups and reduced credit terms extended to his customers. The refusal of credit needled him into sharpening his operations, so that he didn't need the extra money.

When business needs funds to take on a new line, improve plant facilities, or to increase working capital for other reasons, they require longer term credit. Local banks often make term loans for such purposes, but disguise them as short-term loans. A 90-day note is written with the mutual expectation that it will be partially paid and the balance renewed for successive 60 or 90-day periods. This arrangement enables small business to get longer term credit, but it also places the company in a vulnerable position if business turns bad. The lender can always demand his money according to the exact terms of the notes.

Yet, even in the category of term loans there are relatively few complaints from smaller businesses in a reasonable capital position. It is in securing long-term capital that small businesses usually have the most trouble.

The New Enterprise

Customarily, the capital for new enterprises of limited size is furnished by the owners themselves or by relatives and friends. Later additions to capital investment in most cases come from plowing back earnings. That was the traditional pattern, of course, before the advent of back-breaking taxes.* As a result of high taxes, small business has turned increasingly to banks and finance companies for long-term funds. Unfortunately, these financial institutions have not greeted this trend with enthusiasm.

The results of a recent survey by the Commerce Department's Office of Business Economics are typical of several studies of the problem. The OBE points out that short-term

*A National Opinion Research Center study indicates that at one time, seven out of 10 firms got all their expansion capital from plowed-back profits.

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This analysis by Dr. Slichter is digested from an address made before the Industrial Relations Association of Philadelphia on April 22. It deals with the fundamental elements in the government's stabilization program and has deep significance regardless of the outcome of the legal proceedings following government seizure of the steel industry.

THE wage stabilization arrangements of the government have met their greatest test in the steel case.

The recommendations of the Wage Stabilization Board represent an estimated increase in direct labor costs of 19.15 cents per hour in 1952 and 6.0 cents more in 1953—larger than any increase ever granted in the steel industry. The recommended 12.5-cents-an-hour increase that would take effect on January 1, 1952 would give the steel workers total wage increases since early 1946 of 75 cents an hour compared with increases of less than 70 cents for auto workers in the same period and of about 60 cents in the hourly earnings of all factory workers. The total wage increases received by the steel workers including 12.5 cents on January 1, 1952, would, however, be less than the gain since early 1946 in the hourly earnings of coal miners, construc-

The Steel Case

A penetrating appraisal of the basic issues at stake in government seizure

By Sumner H. Slichter

tion workers, or railroad workers. But if workers in general were given the same percentage as the board recommends for the steel workers, total payrolls would be raised by about $19 billion a year at a time when no large rise in the output of consumer goods is feasible.

The record-breaking increases are defended by both Mr. Truman and the public members of the board as "in accord with sound stabilization policies." On the other hand, Senator George has charged that the board's public members are biased, although these men are experienced arbitrators with excellent reputations. The steel case raises important issues of government administrative procedure. It brings into question the relationship between the principles used in stabilizing wages and those used in regulating prices. Is there unfair discrimination in the wage-price stabilization policies of the government?

Fundamental Policies

Even more important is the question of what policies should be pursued in dealing with strikes or lockouts that would create public emergencies. The steel case presents this issue in acute form because it has led the President to seize the steel mills without clear authority—claiming broader and vaguer powers for his office than ever before in time of peace.

The practice of calling strikes that would imperil the public health or safety or inflict disastrous economic loss on the country has become rather common during the last six years. Three times the government seized the railroads to prevent a nationwide railroad stoppage. The seizure of August 1950 is still in effect. Seizure of the railroads is based upon authority given by an amendment to the Army Appropriations Act of 1916. This authority of the President is available only in time of war, and the country is still nominally at war.

The prospect that the defense emergency will last for some years indicates that the country needs to work out well-considered arrangements for handling such critical disputes.

The main issue in the steel case is not the merit of the decision, but the process by which it was made. Nevertheless, it is desirable to examine some aspects of the decision. The board and the President say the recommendations conform with wage stabilization policies. But recommendations may be in conformity with the board's stabilization policies and still be unstabilizing, because the board's rules set no effective limit to payroll increases that may be allowed.

The board's rules permit general wage increases of 10 per cent above rates in effect in January 1950, plus cost-of-living adjustments for increases in the consumer price index since January 15, 1951. This rule is qualified to permit the board to allow still greater cost-of-living increases in exceptional cases, as the board did in the steel case. In addition, the board permits various kinds of fringe concessions without counting them as part of the basic allowance, provided each of the resulting fringe benefits does not exceed prevailing industry or area practice. Health and welfare plans may be adopted or liberalized provided the benefits do not exceed set standards and there are virtually no restrictions on the adoption or liberalizing of pension plans. But the board sets no limit on the total *package* of fringe benefits.

Inflationary Benefits

A few fringe benefits, such as pensions, are deflationary, but most others like health and welfare plans, shift differentials, and holidays with pay, are as inflationary as are wage increases. By proposing a number of liberal fringe concessions that set no new patterns, the board could recommend record-breaking improvements for the steel workers and still maintain that its wage stabilization policies were not being violated.

Furthermore, the rules have been liberally interpreted by the board. It does not strictly interpret "prevailing industry or area practice"

to mean the average for the industry or the area. In the steel case it allowed fringe benefits exceeding average conditions enjoyed by most employes, but not "out of line with practices prevailing in many areas of the economy."

The principal weaknesses in the board's recommendations in the steel case are (1) the failure to use the usual base date, January 15, 1951, in computing the allowable cost of living increases; (2) the ignoring of the fact that the steel workers in 1947 obtained a higher wage increase than other workers (automobile, rubber, and electrical workers, for example) in lieu of holidays with pay; and (3) the conclusion that penalty rates of pay for Sunday work do not set a new pattern in continuous process industries.

What Base Date?

If the board had based the cost-of-living increase on the usual date of January 15, 1951, the increase would have been about 8.5 cents, not 12.5 cents. The board has allowed departures from the usual base date to take care of workers whose wages were out of line in January 1950 or January 1951, but this does not apply to the steel workers. After the wage increase negotiated in 1950, the union's wage policy committee adopted a resolution congratulating Phillip Murray for his leadership "under which wages and working conditions of steelworkers have advanced to the point where steelworkers now stand in the forefront of American industrial workers."

The failure of the board to adopt the usual date seems to have been influenced by a desire to restore the purchasing power of steel wages at the time of the last increase, December 1, 1950. But the reason a wage increase took effect on December 1, 1950 rather than on January 1, 1951, the date provided in the steel contracts, was that the steel corporations waived their contractual rights, opened negotiations more than a month earlier than their contracts required, and put the wage increase into effect a month earlier than required. These circumstances do not support a case for a departure from the general rules of the board in computing the cost-of-living adjustment. The companies are being penalized in 1952 for having been liberal in 1950. The departure from the standard practice constitutes either preferential treatment of the steel workers or a change in the board's basic computing date policy.

The allowance of holidays with pay is open to question because the steel workers in 1947 chose to accept a 15-cent pay increase without paid holidays at a time when auto, rubber, and electrical workers were getting an increase of only 11.5 cents plus the addition of six paid holidays. Now holidays with pay are recommended for the steel workers on the grounds that they have become "a prevalent practice in American industry." The extra allowance of 25 per cent for Sunday work seems to violate the board's own rule that fringe concessions shall not set new patterns. Penalty rates for Sunday work are common in industries where processes are not continuous, but they are far from common in continuous process industries.

The essential difficulty with the board's recommendations, however, is *the sum* of these decisions. The total package was of record-breaking size, and it was granted to men described by their union as standing in the forefront on wages and working conditions. If such a package does not violate the letter of the board's rules, that is an indication of the inadequacy of those rules. Small wonder that the London *Economist* reported the steel workers as "jubilant at the recommendations" which it describes as "far more favorable to the union than had been expected."

Mixed Functions

The main issue in the steel case, however, is not the merit of the decision but the process by which it was made. I do not agree with Senator George that the public members of the board are biased. But how could such good men produce such a bad decision? The explanation is found partly in the fact that the board was assigned functions that do not mix and partly in the fact that it was using methods inappropriate for the administration of a wage stabilization policy. These points indicate the need of basic reforms if the country is to continue its efforts to impose direct controls on wages and prices.

There are two underlying defects in the board's operations: First, incompatible functions: the board has been assigned to administer a wage stabilization policy, and at the same time prevent strikes or lockouts that would interrupt vital production. The responsibility is not the board's but the President's because the incompatible functions are imposed on the board by the executive order creating it.

In critical cases, such as the steel case, the board is primarily concerned with preventing interruptions to production rather than with deciding disputes over the interpretation and application of wage stabilization policies. The more strongly the board feels the necessity of preventing interruptions to production, the larger are the concessions it will recommend to preserve industrial peace. And the rules of the board set virtually no limit to the concessions it may recommend without violating its stabilization rules.

In the steel case the board pro-

(*Continued on page 27*)



Sumner H. Slichter: ". . . how could such good men produce such a bad decision?"



U. P. Photo

What you should know about renegotiation

There are three basic steps: segregation, allocation and determination

By Ross Pancoast

IN normal times experience is a guide to cost estimates and competition sets the limit on prices and thus on profits. The efficient, well managed concern thrives whereas the inefficient perishes.

Under conditions of national emergency, experience may fail to provide the basis for estimating production costs. New items of a radical and complex nature are constantly leaving the military drawing boards and going into production. What they will cost no one knows. As volume climbs, overhead rates ordinarily come down. Couple this with abnormal material and labor markets and it is easy to appreciate why so many contractors find it difficult to estimate their costs on military production. Apprehensive as he is on all these matters, the contractor may incorporate contingency provisions in his estimates out of proportion with the exposure – sometimes adding 10 per cent to his labor, 10 per cent to materials, 10 per cent to overhead and in some cases another 20 per cent overall just to be sure he has not missed something.

The result is a grossly inflated price. Before he knows it, the contingency reserves have become excessive profits which he did not expect to make, which he cannot in any sense justify, and which he usually will not wish to retain.

The cushions of contingency reserves provide a layer of unhealthy fat which tends to render an enterprise lethargic to cost control and to insulate it against the need for exercising normal managerial ingenuity. Such a layer of unhealthy fat in its operations can actually jeopardize rather than insure the continued success of the enterprise. Once inefficiency creeps in, under the cover of loose pricing practices,

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it is difficult to eradicate it from an organization.

In early 1942 there were some outstanding cases of shocking war profits. They made the front pages, and the news spurred Congress into action. After intensive study, the "Case Amendment" was adopted by the house on March 28, 1942, providing for repayment by the contractor of all profits on war contracts in excess of six per cent of the contract price before taxes.

Historical Background

Top procurement officials appeared before a Senate subcommittee and objected to this flat percentage limitation on grounds that it would be inflationary and inequitable — inflationary since the higher a contractor's estimates were the greater his profit would be; inequitable because it would not begin to represent a fair return in some industries and in others it would produce clearly unconscionable profits.

For these reasons, defense officials instead asked Congress to give legislative sanction to a method which had just been initiated by the military—permission to renegotiate on an informal basis, after the fact, and to arrange by voluntary agreement with contractors for refund of such profits as were clearly excessive; which, in most cases, the contractor had no desire to retain; which the pressure of procurement, the strangeness of military material, the skyrocketing of volume, and in many cases the actual efficiency of the contractor had compounded. Congress went a step further. It made it mandatory and the Renegotiation Act of 1942 was born.

Overall renegotiation permits offset of profits on one renegotiable contract against losses or inadequate profits on others. Moreover, it was quite clear at the very first that it was impracticable to renegotiate each contract individually so that an early amendment to the act expressly gave sanction to the overall approach.

Although during the war approximately 200 formulas were considered by the renegotiation people, no single formula was found which would achieve a sound result in most cases. The determination of excessive profits is a matter of informed business judgment. The factors on which this judgment was to be based soon found their way into the law itself and in the 1951 act are almost unchanged. A board constituted of any five businessmen would after impartially studying somebody else's renegotiation file, probably come very close to the actual determinations made by the renegotiation boards because these determinations are made in terms of basic concepts. The character and complexity of the work, the reasonableness of costs and profits, risk, the contribution to the defense effort, net worth, and, above all, efficiency are the factors by which excessive profits are determined.

The finality of renegotiation agreements is carried down from the 1942 act and spares both the contractor and the government the uncertainty which would otherwise shadow the results of renegotiation. The agreements are absolutely final except for fraud, malfeasance or gross misrepresentation.

In practice, renegotiation consists of three basic steps: the segregation of sales, the allocation of costs and the determination of excessive profits if any.

The first major problem in renegotiation is the segregation of renegotiable from non-renegotiable business. It is most important that the segregation of sales be accurately and conscientiously done prior to any efforts in allocating costs since the correction of errors in the segregation of sales may invalidate much or all of your cost work. It will usually be found advantageous to segregate as you sell. At the time you receive an order, you can in many cases determine whether or not it is subject to renegotiation and so mark your records.

Very Broad Coverage

The coverage of the Renegotiation Act of 1951 is extremely broad. The act itself designates the Department of Defense, Department of the Army, Department of the Navy, Department of the Air Force, Department of Commerce, the General Services Administration, the Atomic Energy Commission, the Reconstruction Finance Corporation, the Canal Zone Government, the Panama Canal Company and the Housing and Home Finance Agency. Other departments have since been designated by the President. There is no minimum prescribed in the act comparable to the $1,000 minimum in the 1948 act. Moreover the 1951 act covers both advertised and negotiated procurement.

All contracts with the covered departments are subject, unless exempted, to the extent of receipts and accruals on or after January 1 1951. An exception to this rule is that accruals attributable to performance prior to July 1, 1950, are not subject to the 1951 act. Another exception is that in the case of departments designated later by executive order, the date on which their billings become renegotiable is July 1, 1951, in the case of Federal Civil Defense Administration, National Advisory Committee for Aeronautics, Tennessee Valley Authority and U. S. Coast Guard; October 1 1951, in the case of Defense Materials Procurement Agency, Bureau of Mines and U. S. Geological Survey; and November 1, 1951, in the case of Bonneville Power Administration.

Billing Dates

Even though a contract was made in 1949 or 1950 or earlier and was not subject to the Renegotiation Act of 1948 or was specifically exempted therefrom, any billings on or after the pertinent date would be subject to the Renegotiation Act of 1951 if coming under its coverage and not exempted therefrom. There is a statutory floor of $250,000 provided in the 1951 Act for most contractors and a $25,000 statutory floor for brokers and certain other persons receiving fees based on the contract price. This floor is neither an exemption nor an exclusion. The contractor must report his renegotiable sales and may not subtract the floor figure from the amount he reports.

The identification of subcontracts subject to renegotiation may be fairly difficult, but conscientious effort will usually save time and money. The presence of the renegotiation clause is a presumptive indication, but it cannot be absolutely relied upon nor can its absence be assumed to prove that the

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This outdoor exhibit area is but a small part of the one million square feet of space covered by this month's British Industries Fair

Britain's bid for more exports

The BIF is a major factor in England's hopes to bolster her world trade position

By Mitchell Gordon

BRITAIN this month is spreading the products of its industry before the world in what Englishmen proclaim as the largest national trade fair on earth. From May 5 to 16, some 2,500 British manufacturers in 80 different industries will display products ranging from chicken blinkers to keep hens from pecking at one another to electronic machines that "see through" steel 20 inches thick.

The British Industries Fair, occupying a million square feet of floor space in two exhibition halls in London and one in Birmingham, will lure buyers from every corner of the earth. Last year, 19,000 came from such distant lands as New Zealand, Chile, the Philippines and Indonesia, and about a thousand from the United States. While the 1951 attendance at the fair was four times greater than pre-war, this year's crowd is expected to break that record.

Nothing would make Britain happier. The war-weakened island counts heavily upon the industries fairs to build the export trade it needs to pay for the food and raw materials it must import to survive. Hard-working Britain is already producing more than 50 per cent above its pre-war volume, but it must still sell more abroad to strengthen its economy.

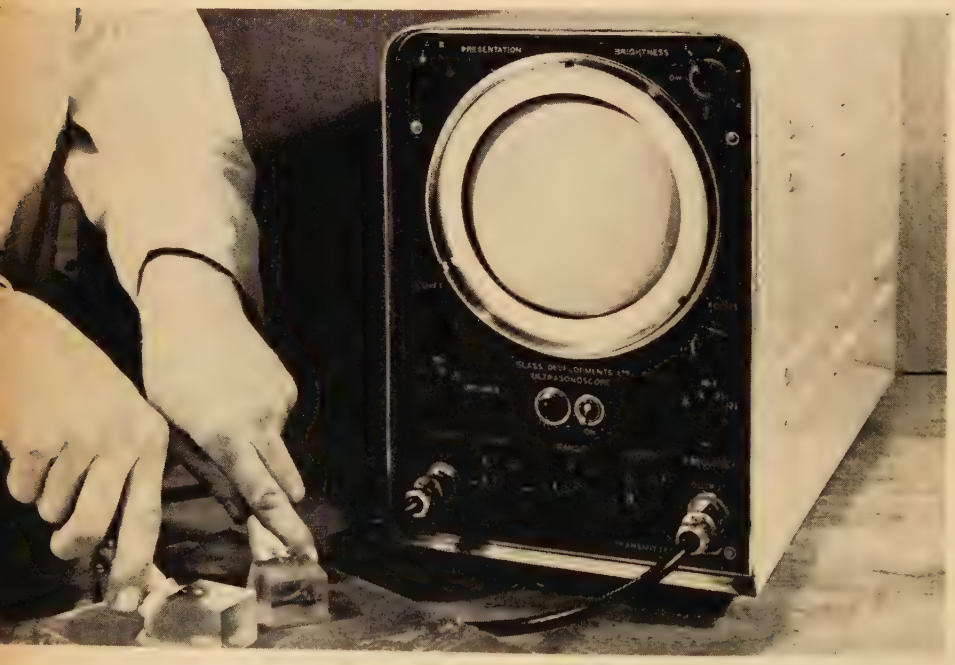
Plastic aircraft wing exhibited at BIF which some think may revolutionize aviation



There are plenty of new products at the BIF this year that should arouse the interest of visiting buyers. One is a plastic wing built by Britain's principal aeronautic research center, the Royal Aircraft Establishment. Aircraft technicians believe the new wing will open up new fields for plastics, which have hitherto been limited in size by the excessive cost of high-pressure shaping. The wing is made of asbestos impregnated with the same plastic



This British-made "student organ" has 24 keyboards, but each pupil hears only his own playing



Flaws in metals can be detected with this portable "Ultrasonoscope" which produces a flaw picture on a cathode ray tube

powder, phenol formaldehyde, used in such familiar articles as telephones and small radio cabinets. It is "baked" hard. Plans are to equip a secret jet fighter with the new plastic wings for test flights later this year. Because the wing takes the hardest treatment of any part of an air frame, British researchers figure they'll have proven an entire plane can be made of plastic if the plastic wing can.

Also on display is a new "electronic x-ray" that can spot flaws in a slab of steel more than 20 feet thick. There's a slicer made by a Birmingham firm that cuts through a 24-inch block of tough molybdenum-nickel steel with scarcely a shaving wasted. Another firm is displaying a "smellatorium," which is a library of odors from which a manufacturer can select choice scents for anything from detergents to dental cream.

There's an electric spray gun that works without compressed air, a cigar-sized pneumatic screwdriver that drives 5,000 screws an hour, and a 1,000 square foot building that can be loaded on a six-ton truck, shipped to the building site, and erected in a jiffy.

Not all the BIF displays are industrial products. One firm is showing plastic chicken blinkers that fit into the fowl's nostrils, reducing his inclination to take a bite out of one of his neighbors. For the typist, there's a device to keep fingers clean when the keys jam. It's a keyboard-operated gadget that fits onto old typewriters. For teachers there's an organ that 24 pupils can play simultaneously without anyone going crazy. Each pupil hears only his own "music" from a set of earphones, but the teacher can "tune in" any one student for the class to hear.

There's a baby carriage that sings to junior while momma shops and converts into a sled with a simple runner attachment. And for Junior, himself, there is an army tank that puffs smoke and a "sub-machine gun" that fires 500 squirts of water before reloading.

Colorful Exhibitors

Among the 2472 exhibitors at the huge show are many exhibitors who are every bit as colorful as the products they turn out. There's G. W. Scott and Sons Ltd. of London, for example, which is introducing a picnic basket that has a special cooling compartment that keeps foods for 12 hours. Back in 1660, founder William Scott was doing a brisk business in wicker bug traps said to lure insects from bedding. Serious-minded toy-maker Roberts Bros. Gloucester Ltd. of Gloucester, which is presenting an animated calculator to teach children arithmetic, was started 70 years ago by two brothers who amused their Sunday school pupils with a card game based on the Scriptures.

Nor are the fair's visitors any less

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What You Should Know About Renegotiation

(Continued from page 20)

contract is not subject to renegotiation. There are other ways of determining renegotiability. The contract or your files may show reference to a covered department either by a contract number, a delivery point, or specifications. You may have a knowledge of the end use of the product. DO priority rating symbols and CMP allocation symbols will often prove a helpful guide.

When in doubt it is often best to write your customer and ask him whether your contract is renegotiable. The provision in the regulations excusing a subcontractor from inquiring of any customer where his annual sales to such customer did not exceed $2,500 is not an exemption. It does not justify the subcontractor in excluding all such contracts from renegotiable sales; it merely relieves him of the necessity of writing letters. For example, if he has sales to 20 customers for a certain product amounting to less than $2,500 each during his fiscal year and has identified other sales of this product as being 51 per cent renegotiable, the figure of 51 per cent should be applied to the otherwise indeterminate sales.

Renegotiable Business

Since renegotiable business is essentially identified with defense end use, the assumption that they are in fact the same may be the only practicable basis of determining the renegotiability of certain other subcontract sales. In this connection the Controlled Materials Plan as administered by DPA and NPA provides certain guides. Forms CMP 4A, 4B and 4C are filed by those needing controlled materials in the A product, B product or construction classification. Your representations as to defense end use on these forms are certainly a valuable indication of renegotiability where more direct methods cannot be employed. DPA and NPA are making special studies showing the proportionate end use of controlled materials in a large number of individual product code classifications beginning with the last quarter of calendar 1951.

The information contained in these studies should be useful in "bench marking" renegotiable sales. The percentages thus developed should also be useful in checking segregations made by other methods. For example, where a contractor manufacturing bolts and nuts or electric motors sells primarily to four industries it might be proper to apply the percentage for each of these industries against his sales of that product to such industries. This practice is expected to closely parallel the use of CMP data during World War II renegotiation when it was found to be a valuable aid to segregation of sales in certain subcontract areas.

Having determined which sales are renegotiable, the next problem is to determine and allocate the costs properly related thereto. Any well-recognized method of accounting will generally be accepted and in determining which costs are al-

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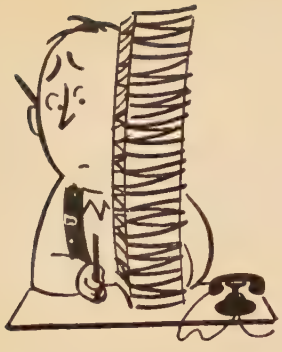
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lowable reference will be made to the Internal Revenue Code. We are not bound to what a particular agent of the Bureau of Internal Revenue may have actually determined in a particular case because their interpretation of what is a reasonable salary, for example, may vary widely in practice in different parts of the country.

We are instead bound to what the Internal Revenue Code requires and costs of a nature allowable for tax purposes will be allowed in renegotiation to the extent allocable to renegotiable business. It is on this question of what is allocable that most of the difference of opinion will arise. The Renegotiation Board regulations set forth in some detail the types of costs and the extent to which they may be allowed. There are a number of pages in the Federal Register of March 25, 1952, devoted to this question. Provision is made to the extent set forth in the regulations for the allowance of such items as amortization of emergency facilities; conversion to renegotiable production; losses sustained on renegotiable business in the preceding fiscal year under the 1951 act; interest; selling and advertising expense; patent royalties; and charitable and other contributions. Just as with segregation of sales it is most important that the accounting methods used in determining the costs of renegotiable sales are fully described.

How Much Excess?

The next problem is the determination of excessive profits, if any. The policy of the board is to minimize insofar as possible the work required of contractors. Thus while you are required to file Form RB-1, "Standard Form of Contractor's Report", if you have any renegotiable sales at all, this does not go much beyond a simple statement of renegotiable sales. If analysis of this form convinces the board that your renegotiable sales did not exceed the statutory floor your case will not be processed further.

If, however, your sales were in excess of the floor, then we require Form RB-1B, "Statement of Income" to be filed. This is carefully screened and if it is apparent that no excessive profits could have existed, the case is screened out by a

special committee in Washington and normally would not be assigned to a field board. The exception would be such spot checks as the board may want on doubtful cases. Thus the question of determining excessive profits would normally be limited to those which appear to be above the statutory floor and to reflect a profit level warranting further investigation.

Contractor's Work Sheet

When such cases are assigned to a field board, a regional board member or a renegotiator teamed with an accountant would normally send the contractor the "Contractor's Information and Work Sheet," a somewhat detailed list of questions containing approximately 16 sections. Part of the information required by this form will relate to the procurement offices administering your renegotiable prime contracts, contract numbers, approximate billings from each and similar information in connection with major subcontracts. This part will normally be requested by return mail in order that performance reports may be initiated.

The director of the division of procurement affairs in each regional board, on receipt of this data, will request from the departments information on the contractor's efficiency, risk, reasonableness of costs and profits, contribution to the defense effort and the character and complexity of the work performed.

The board member or renegotiator having received by that time both the contractor's comments as to his own performance and the performance information supplied by the procuring departments, will be in a position to evaluate the contractor's performance and clarify any further matters with the contractor. He will then present his recommendations to a review committee consisting of two members of the regional board and the chief renegotiator.

The case will be carefully considered by the regional renegotiation board before a final determination is made and the contractor will be afforded every opportunity to appear and discuss his case. In cases involving renegotiable profits of $400,000 or less the regional board has final authority to enter into an

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agreement with the contractor or it could issue a unilateral order in the event of failure to agree. This order will be subject to review by the Renegotiation Board in Washington whether on its own initiative or on appeal by the contractor. In cases involving a larger amount of renegotiable profits final authority at present remains with the Renegotiation Board in Washington, the regional board merely recommends. A unilateral determination may be appealed to the Tax Court.

"Efficiency" Factor

The evaluation of the statutory factors is a matter of business judgment. The Renegotiation Board regulations set forth how each factor shall be applied. Congress has emphasized the "efficiency" factor by placing it ahead of the other factors in the act. Thus, the efficient contractor who has achieved quantity and quality production, reduction of costs and economy in the use of materials and manpower will receive real recognition of such performance if it can be demonstrated to the board.

Another factor is "reasonableness of costs and profits, with particular regard to volume of production, normal earnings, and comparison of war and peacetime products." "The net worth, with particular regard to the amount and source of public and private capital employed" is the third factor and will be given full weight.

Another factor is "extent of risk assumed, including the risk incident to reasonable pricing policies." A contractor who through close pricing including voluntary refunds made as promptly as efficiency reduces his costs, comes into renegotiation with a margin not far above the figure which renegotiation personnel would otherwise regard as reasonable may be given a clearance on grounds that he has taken a real risk in his pricing policy.

Just how can a contractor protect himself against the contingencies involved in defense production? Risks may be generally divided into three classes. Those within the control of the government should normally be provided for by specific contract clauses such as the familiar "termination article" and the "changes article" in military contracts. When the government thus accepts the risk there is no reason for a contingency provision in price.

Certain other risks are within the control of the contractor and represent the usual business risks every contractor normally assumes — the risks which should entitle him to a business profit. This leaves risks which are beyond the control of either party and there can be no quarrel with providing for them reasonably in the contract price.

The fifth factor is the "nature and extent of contribution to the defense effort." Contractors in normal times must demonstrate ingenuity to get business in everyday competition. It is to the extent that exceptional and outstanding production engineering or product design can be substantiated that this factor permits exceptional consideration in the settlement.

I have mentioned that Form RB-1 "Standard Form of Contractor's Report" is required from all contractors having any renegotiable business subject to the 1951 act. The normal due date would be the first day of the fourth month following the close of the contractor's fiscal year but because of the late start and the unavoidable delay in developing and promulgating the renegotiation board regulations in final form, this date has been extended to May 1, 1952, in the case of contractors with fiscal years ending in December 1951 prior. If you had any renegotiable sales in calendar 1951 and have not received this form, you should request it from the Renegotiation Board in Washington since the law places upon you the duty of filing it with us.

The "Statement of Income," Form RB-1B, is normally due the first day of the sixth month following the close of the contractor's fiscal year, but in view of the extension is not due until July 1, 1952, for years ending in December, 1951, or prior and of course need not be filed at all where renegotiable sales are under the floor. Having submitted one or both of these forms the contractor need not supply any further information until it is requested of him by renegotiation personnel.

A recovery will normally, we hope, be by mutual agreement. Dur

ig World War II, out of 118,000 ontract assignments there were 32,-00 recoveries of which only 1,845 sulted in unilateral determina-ons, or fewer than one out of 16.

The dollar of excessive profits n be recaptured, but the wasted anhour, the wasted machine-hour, e wasted kilowatt-hour and the asted pound of material are gone rever. It is the purpose of re-egotiation not only to recapture xcessive profits but to recognize fficient low cost performance in e determination thereof and thus provide an incentive to Ameri-n industry such as in more nor-al times it derives from success-il performance under competitive onditions.

The Steel Case

(Continued from page 18)

osed record-breaking concessions ecause it was more concerned with reventing an interruption to de-nse production than with protect-ig the country against inflation. erhaps the prevention of interrup-ons to production should be laced ahead of the prevention of nflation, but if so the decision hould be made by a person or gency who is not responsible for abilizing wages or prices. Further-ore, the decision should be made nly *after* the wage stabilization is-es have been decided. Proper bal-nce requires that the government ave some agency that is prepared champion the cause of stabiliza-on when other agencies are pre-ared to sacrifice it for other pur-oses.

The second defect, inappropriate ethods: In the steel case the board sed methods inappropriate to the nction of interpreting and apply-ig wage stabilization. The public inks of the board as a quasi-judi-al body, making the kind of de-sions that a board of arbitration akes. In the less important cases his is true. But in the steel case the oard was a bargaining body, the ublic members attempting to find ie lowest terms that would induce ie union to forego a strike.

The interpretation and applica-on of stabilization rules requires *udicial* discretion — freedom to de-de any point either way. Bargain-ig means policies will mean one

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thing when the union is weak and non-militant and a very different thing when the union is strong and tough and the industry is vital to defense. Such methods of administration are intolerable in a free society.

Certainly the rejection by an employer of bargains made between public and union representatives is not a sound basis for property seizure by the government. The only equitable basis for seizure must be the rejection of recommendations formulated by public members through a truly quasi-judicial process.

Mixed Functions

The present incompatible mixture of functions in the Wage Stabilization Board should be corrected by limiting its responsibilities to recommending stabilization policies to the Director of Economic Stabilization and interpreting and applying the established wage stabilization policies. This would not mean that the board would receive no dispute cases, because there would be disputes over the application of the stabilization rules. It would, however, mean that the Board would be relieved of the temptation to stretch the interpretation of its rules to preserve industrial peace. The temptation of public members to bargain with labor and industry would be greatly reduced, if not eliminated, and the board would be able to become a quasi-judicial body, not a bargaining one.

The steel case sharply illuminates the discriminatory differences between wage stabilization policies and price stabilization policies. The essential feature of wage stabilization policy is that employes are given rather complete protection against rises in the consumer price index. No comparable protection is permitted to most employers. Under the Capehart amendment they are permitted to pass on increases in costs up to July 15, 1951 but advances in costs after that date may not be passed on. Employes may apply for relief in hardship cases, but the general rule of the Price Stabilization Agency is that hardship will not be found unless the profits of an industry before

(Continued on page 44)



Invest in the Middle West

Reviews of Middle-Western Companies

by D. F. NICHOLSON

SEVERE income tax rates and high estate taxes have created a serious problem for most corporations, but for Pullman Incorporated they provided opportunities to make tremendous strides in a program to diversify.

In 1944 Pullman Incorporated was able to purchase, for $18,250,000, the outstandingly successful M. W. Kellogg Company, designer, manufacturer and installer of production equipment for the petroleum refining industry. The Kellogg Company was then about 43 years old and closely held.

Although rising prices of materials and wages, a large volume of business, and higher income taxes have combined to inflate Pullman Incorporated's working capital requirements, the company found itself with a heavy supply of cash in 1947 after selling its sleeping car operating subsidiary, The Pullman Company, to a group of railroads pursuant to a Federal Court order. The sleeping car business had once been highly profitable, but it had not fully recovered from the depression, from the introduction of relatively luxurious modern day coaches on highspeed schedules, and from the competition of the air lines.

Trailmobile Purchased

In June, 1951, the Trailmobile Company, second largest manufacturer of highway truck trailers, was purchased for $41,500,000, of which $21,000,000 represented obligations that Pullman assumed or paid off.

Champ Carry, president of Pullman Incorporated, has explained the background of the Trailmobile purchase as follows:

"Here, incidentally, is a specific example of the difficulties faced by a rapidly growing company under the tax laws and conditions of inflation prevailing today. The Trailmobile Company found that it could not keep enough of its earnings, after taxes, to carry on the long-range improvement program required to hold and strengthen its competitive position. Its only means of securing the necessary financial resources were to merge with a stronger organization, or to sell additional securities and thereby dilute the ownership interest of present stockholders. Trailmobile chose the first of these alternatives, and after a thorough investigation we decided to invite them to join our Pullman family. . . ."

Capital Problem

Trailmobile's need for funds was much more urgent than that of most corporations because of the custom of selling trailers to trucking firms on a time payment basis.

As a result of these acquisitions, Pullman Incorporated, instead of having too many eggs in one basket, today has a strong position in three distinct industries. Pullman Incorporated is a holding company. Its subsidiaries are Pullman-Standard Car Manufacturing Company, largest manufacturer of railroad cars—passenger and freight—in the world; M. W. Kellogg Company, leading designer, manufacturer and developer of equipment and processes for the petroleum and chemical industries; and Trailmobile Inc., successor to the Trailmobile Company.

In addition to being the largest producer of railroad cars, Pullman-Standard is now manufacturing a line of earth moving equipment acquired from Isaacson Iron Works in 1950. This equipment consists of bulldozers, scrapers ranging in size up to 20 cubic yards capacity, and related hoists and gears. This equipment is marketed through Interna-



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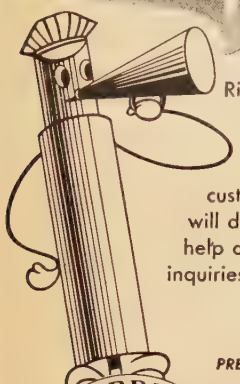
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tional Harvester Industrial Distributors. The vast amount of road building needed to make up for deferred maintenance and provide for the greatly increased number of automobiles is expected to assure a large market for earth moving equipment. The company recently made another addition with the purchase of the Malo loader, a power shovel that can unload without having to turn around.

Pullman-Standard also manufactures a line of railroad track maintenance machines—a power track ballast cleaner and a ballast tamper; a cribber and a track dresser; electric street cars and trolley buses; chilled car wheels and miscellaneous other car parts. This subsidiary also is manufacturing metal curtain wall facing and trim for buildings.

Active In Research

One of Pullman-Standard's important bids for continued leadership in freight car manufacture was its introduction in 1947, of the PS-1 box car, a standardized car that can be sold at a saving from the cost of box cars incorporating the various individual treatments frequently demanded by railroads. More than 50,000 PS-1s have been sold.

One of Pullman-Standard's basic objectives is to maintain its leadership in the railway carbuilding field through progressive research. A special staff of technicians and supervisory personnel has been assembled for this purpose. Particular emphasis is being placed on the development of new means of reducing damage to freight in transit.

The irregular volume of orders usually associated with the railway equipment business was illustrated in the company's output of 24,241 new freight cars in 1951 as compared with 8,830 in 1950. Passenger car production, the company stated, declined sharply in 1951 for lack of orders.

The M. W. Kellogg Company's outstanding position in its field is most strikingly demonstrated by the fact that it has carried important assignments in atomic energy production, in the development of materials used in jet and rocket engines, and in research on rocket fuels.

Kellogg designed and built the K-25 plant for the production of Uranium 235 at Oak Ridge, Tenn., and early this year was awarded a large contract for the field fabrication and erection of process and auxiliary piping and related equipment in the major gaseous diffusion units of the Atomic Energy Commission's new plant under construction at Paducah, Ky.

Cat Cracking Unit

Last year the world's largest fluid catalytic cracking unit was completed by Kellogg on the Gulf coast and a contract was received from the same oil company for an even larger unit to be installed on the East coast. Also during 1951 the first fluid catalytic cracking units using Kellogg's new "Orthoflow" design were placed in operation, and the company introduced its fluid hydroforming process, an improved catalytic process for raising the octane number of low-quality gasoline. This new process aroused great interest in the petroleum industry, and contracts were received from several refiners for the design and construction of plants utilizing the process.

Another milestone for Kellogg was the contract received last year from the South African Coal, Oil and Gas Corporation, Ltd., for the design and construction of a plant to produce gasoline and other liquid fuels from coal. This installation, at Coalbrook, South Africa, will be the first commercial plant of this kind in the world.

Other activities of the M. W. Kellogg Company include the production of "Kel-F," a new fluorocarbon type of industrial plastic; electrical casting of special alloy steel; development of catalysts for use in refining processes; fabrication of high-pressure, high temperature piping systems for electric power production, fabrication of such metal equipment as welded vessels, heat exchangers and piping for the processing industries; the design and erection of radial industrial chimneys; and the design, development and manufacture of other individual items and complicated assemblies.

A new, million-dollar plant for the production of "Kel-F" is under construction. Most of the present output is going to military uses. The plastic is said to have extraor-

dinary reistance to heat, moisture and chemical action. It can be molded by all standard methods and be punched, drilled or otherwise machined to close tolerances. Kellogg expects many peacetime uses for "Kel-F" when it becomes available on a commercial basis.

The subsidiary Trailmobile Inc. manufactures a complete line of trailers — from dollies to a variety of vans and tank-type units — for commercial and industrial hauling. Trailmobile introduced the first all-aluminum trailer in 1932. Last year Trailmobile introduced a new lightweight trailer of high-tensile steel and aluminum construction, and expects to introduce this year a trailer of exterior post design incorporating several exclusive features.

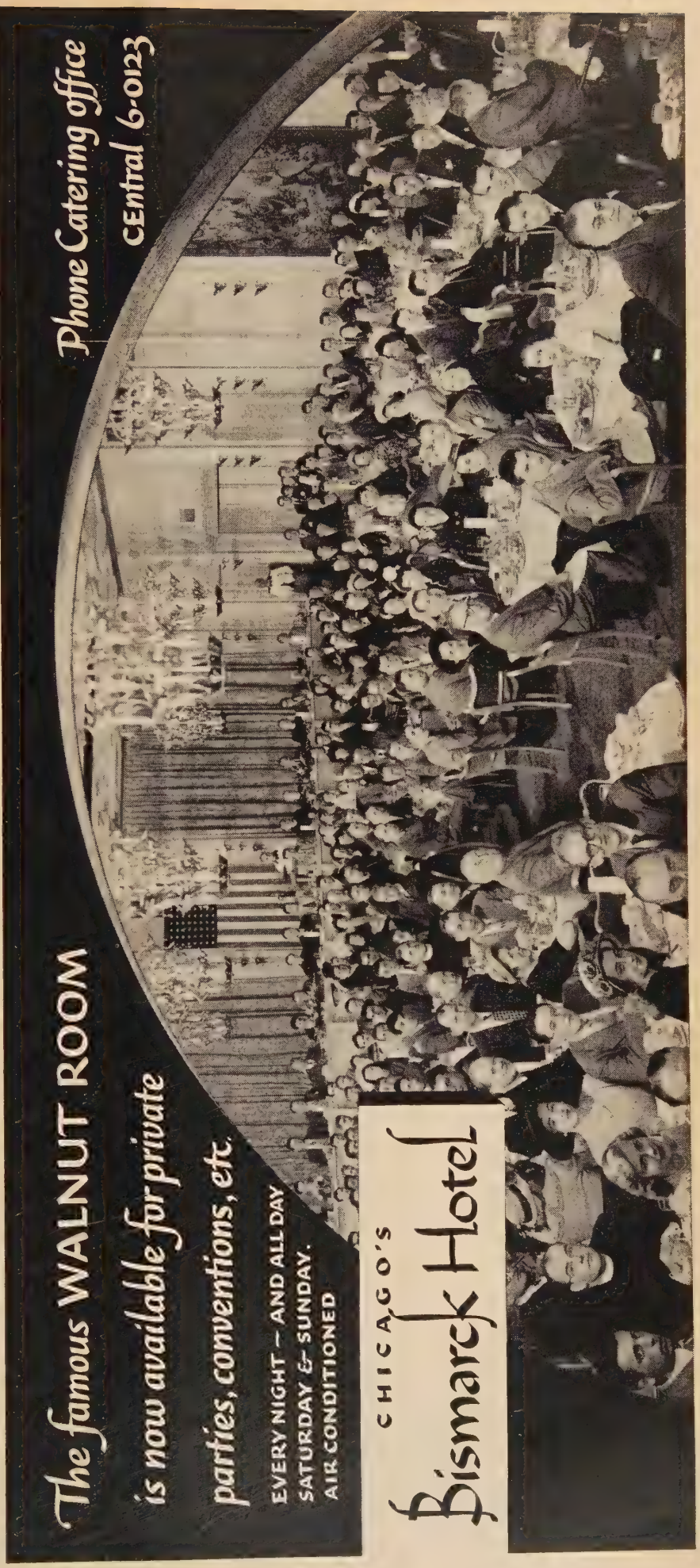
Canadian Expansion

Trailmobile has a nationwide system of sales and service stations. The principal plant is at Cincinnati, with others at Springfield, Mo., Berkeley, Calif., and Toronto, Canada. Canadian plant facilities were enlarged in 1951. Pullman recently reported that plans are under way for expansion and improvement of Trailmobile's sales and service facilities to provide additional market coverage and better service to the trucking industry.

Pullman's liquid assets were quite fully employed by the end of 1951. In fact, the company arranged for a $30,000,000 line of general credit from banks in the latter part of 1951, but has drawn down only $5,000,000.

The $5,000,000 of bank debt was the company's only obligation other than accounts payable and taxes payable, as of December 31, last. Capitalization consists solely of 3,875,000 authorized shares of no par value common stock, of which 2,192,000 shares are outstanding. In the ten years to May 15, 1950, Pullman Incorporated retired 1,628,220 shares of its own capital stock which it acquired through tenders or open market purchases at a total cost of $67,524,664, or an average of $41.47 a share.

Consolidated gross revenues of Pullman Incorporated and its subsidiaries totaled $252,716,469 in 1951, an increase of 44 per cent over 1950. Earnings before provi-



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sions for U. S. and Canadian income taxes increased 41 per cent, but an increase of 81 per cent in income taxes to $16,523,534, equal to $7.54 a share, restricted net income to $10,269,939, or $4.69 a share. This compared with net of $9,842,262, or $4.49 a share, for 1950.

A comparison of net earnings for the years 1942 to 1951, inclusive, follows:

	Net Income	**Per Share
1951	$10,269,939	$4.69
1950	9,853,089	4.49
1949	5,496,834	2.42
1948	8,152,082	3.18
1947*	6,329,569	2.38
1946*	3,337,433	1.03
1945	13,890,226	4.30
1944	12,890,006	4.00
1943	8,176,006	2.52
1942	9,479,510	2.87

**Based on the following shares: 1950-51, 2,192,000; 1949, 2,275,731; 1948, 2,561,731; 1947, 2,658,431; 1944-46, 3,229,897; 1943, 3,242,897; 1942, 3,302,897.
*Excluding the Pullman Company.

Pullman Incorporated and its predecessors have paid dividends for 86 consecutive years, including 1952. In recent years the distributions have been as follows: 1951, $3; 1950, $4; 1948-49, $2; 1942-47, $3. The quarterly dividend was increased to 75 cents a share from 50 cents in the third quarter of 1951.

At the end of 1951 current assets of the company aggregated $161,-140,695, including $21,612,097 cash, $5,994,722 of U. S. government securities, $50,444,557 of accounts and notes receivable, and more than $83,000,000 of inventories. Current liabilities totaled $51,935,161, not including the $5,000,000 of bank loans. Net working capital of $109,-205,534 was equal to $49.82 a share, or well above the present market price for the stock.

Other assets included $6,959,147 interest in car lease rental payments due after one year, $1,631,964 of unsecured long term receivables, and $37,019,004 of fixed assets. Total assets amounted to $208,160,864.

A general reserve totaling $22,-020,389 on the liability side of the balance sheet is carried in consideration, among other things, of various matters still to be settled with respect to the ownership of The Pullman Company before it was sold to the railroads in 1947, and unsettled tax liabilities of Pullman Incorporated and its subsidiaries.



Industrial Developments

. . . in the Chicago Area

INVESTMENTS in industrial facilities in the Chicago area totalled $16,989,000 in April compared with $37,115,000 in April, 1951. Total investments for the first four months of this year were $56,311,000 compared with $173,322,000 during the same period in 1951. These figures include expenditures for the construction of new industrial plants, expansions of existing buildings, and the acquisition of land or buildings for industrial purposes.

• ***National Video Corporation,*** 3019 W. 47th street, which operates three plants in the Chicago area, is constructing a factory and office building at 47th street and Kildare avenue in the Central Manufacturing District. The building will be used for the manufacture of television componets.

• ***General Electric Company,*** Electronics Division, has started construction of a warehouse and office building on North Milwaukee avenue near Waveland avenue. The building will contain 108,000 square feet of floor space.

• ***Benjamin Wolff and Company,*** 2025 W. 58th street, steel and tinplate warehouse operator and metal lithographer, is erecting a plant in the Clearing Industrial District in Melrose Park. The structure will contain 140,000 square feet of floor area with 10,000 square feet of office space. Chandler and Montague, brokers.

• ***General Services Administration*** is having a warehouse built for it by the Clearing Industrial District at the District's 73rd street development. The warehouse will be used for the storage of equipment and supplies for all federal agencies in the area and will be used for the handling and distribution of goods to 2,000 different locations.

• ***Joliet Arsenal, Kankakee Ordnance*** Works, one of the nation's largest manufacturing plants for non-atomic high explosives, operated for the government by the U. S. Rubber Company, is undergoing an expansion and rehabilitation program.

• ***Corn Products Refining Company,*** Argo, Ill., has several modernization and expansion programs under way at its plant.

• ***Kentile, Inc.,*** 4532 S. Kolin avenue, is adding 85,000 square feet of floor area to its plant. The company manufactures asphalt tile and bases. A. Epstein and Sons, Inc., engineers.

• ***Fansteel Metallurgical Corporation,*** North Chicago, is adding 60,000 square feet of floor space to its plant. The company produces tantalum, molybdenum, tungsten and other metals. A. Epstein and Sons, Inc., architects.

• ***Deepfreeze Division of Motor*** Products Corporation, North Chicago, is adding 36,000 square feet of floor area to its Skokie Highway plant. The company produces household appliances.

• ***Alexander Chemical Company,*** 3604 S. Morgan street, is constructing a plant which will contain 12,000 square feet of floor area. The plant will be located on the north side of the Sag Channel at Lemont Road near Lemont, Ill. The company produces chlorine and chlorine products.

• ***Vascoloy-Ramet Corporation,*** Waukegan, subsidiary of Fansteel

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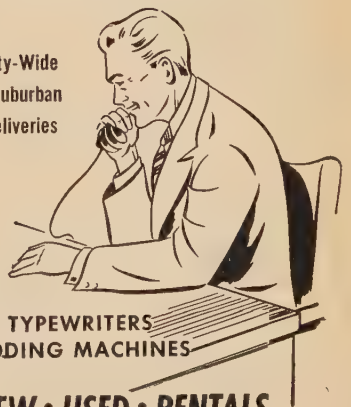
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Metallurgical Corporation, is constructing an addition to its plant. The company produces tools, dies and castings of special alloys. A. Epstein and Sons, Inc., architects.

• ***International Register Company*** has acquired the 70,000 square foot building at 924 N. Marshfield. The company, which produces clock-type motors, range timers and other timing devices, has purchased a site in Skokie on which it will construct a new plant. Alfred L. Miltenberg and Company, brokers.

• ***T. L. Foley and Company,*** Evanston, is constructing a 6,000 square foot building in Evanston.

• ***G. S. Blakeslee and Company,*** 1844 S. Laramie street, is constructing an addition to its plant which will contain approximately 13,000 square feet of floor area. The company manufactures solvents, metal cleaning machines and washers. Abell-Howe Company, general contractor.

• ***Lindgren Foundry Company,*** Batavia, is constructing an additional building. The company produces semi-steel and gray iron castings.

• ***Solar Light Manufacturing*** Company, 1357 S. Jefferson street, is adding 5,000 square feet of floor area to its factory.

• ***Rauland Corporation,*** 4245 N. Knox avenue, has acquired the building at 4384 N. Elston avenue, which contains 11,000 square feet of floor area. J. J. Harrington and Company, broker.

• ***Edward Valves,*** East Chicago, Ind., is expanding its plant.

Capital for Small Business

(Continued from page 15)

small business financing is adequately met, but adds that what small businessmen really need are capital loans for one to ten years. Yet many are turned down not because of "the size of the loan requested or the financial condition of the applicant" but because the loans are sought for "fairly long terms."

Why don't banks give more long-term financing help to small business? The answers are obvious. The financial position and prospects of most small firms are often doubtful. Even relatively prosperous small companies have most of their assets tied up in inventories and accounts receivable, the value of which is difficult to determine. Furthermore, long-term loans demand continuity of business, but many a small enterprise is as uncertain as the health of its owners.

Finally, small concerns often have inadequate records and present their case poorly to credit sources. This tends to make an accurate appraisal of the loan application very difficult. An appliance dealer recently applied to a bank for a $50,000 secured line of credit to carry consumer receivables. In presenting his case, the dealer submitted a financial statement showing a favorable profit for nine months, but containing no provision for losses, taxes or deferred income on service contracts. This made all his figures suspect and almost resulted in an immediate rejection. Furthermore, his records were confused and his credit department haphazardly organized.

The bank official felt, however, that if the would-be borrower began with proper record keeping and went on to present an accurate financial statement, plus a projection for the next six to 12 months, it would be possible to make a decision based on the merit of the case. This was done and the dealer eventually obtained the credit he sought.

There's nothing that impresses a banker more than a well-run bookkeeping and accounting system which demonstrates sound statistical control of the company to which they lend money. But small concerns seldom have such a system.

Commercial finance companies specializing in factoring, accounts receivable, inventory and equipment financing tend to be more flexible, mainly because they are not answerable to bank examiners, and in good part risk their own money. But they too draw back from credit applications if a company's record-keeping and accounting are faulty. Finance companies also want to know precisely what the money will

be used for, what it is expected to bring back, and what the risk is on that expectation.

Where does this leave the small company? It has been suggested that the security market is the only other source of long-term money, but the security market presents certain well-known difficulties. Small security issues simply are not wanted by security houses.

New Capital Source

A relatively new source of capital is the syndicate which offers to invest long-term funds in small business enterprises. These groups usually desire a larger return than is normally available through conservative investment. However, they do not want ownership or control. Today, by association with certain segments of the finance industry, these syndicates advance capital funds to businesses, provided a finance company grants short-term credit and keeps an eye on how all funds are being used in the business.

By providing these capital requirements, syndicates provide the cushion necessary to reassure banks and finance companies that there is adequate security for the short-term credit which the latter institutions make available. At the same time, the banks and finance companies offer the syndicates the assurance that their funds will be well-administered.

For example, a Minneapolis toy manufacturer developed a new line that would require about $25,000 additional capital before sales would be high enough for receivable financing. His profits had been modest but steady, and future prospects appeared encouraging. Since a commercial finance company was willing to extend credit on the receivables and to supervise the use of the $25,000, an outside group agreed to provide the necessary capital. The money was made available for three years, to be amortized over the last two years out of a percentage of sales, for a cost that was much less than that of a partner.

This development in providing capital has come from a certain segment of the commercial financing industry. The largest of the commercial financing companies have neither the personnel nor the de-

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sire to provide other than short-term credit, with terms of not over 18 months and preferably not over one year. The smallest companies simply do not have the funds.

It is this segment of the finance industry which, having learned of the great possibilities of using such capital funds, now seeks small business customers. These finance companies "act for" investment groups, and when small businesses are found which merit capital funds, the finance company will make that recommendation to some syndicate, and offer shorter credits from its own resources. It is the profit in short-term lending which these finance companies seek.

A good example is the case of a Chicago distributor of consumer durables who recently required about $600,000 to finance a special operation. Although several banks and a large finance company rejected the proposition, another commercial finance company using the new technique, was able to get an underlying long-term loan of $100,000 from an investment group, and then added $500,000 of credit on a customary short-term basis.

Capital For "Deal"

In Indianapolis $240,000 worth of special merchandise was offered to a small but aggressive distributor who needed $30,000 to handle the deal until acceptable receivables were developed with which to liquidate the balance of the obligation. An investing group was found by a finance company to advance the money, while the finance company supervised the receivables financing. The capital advance was subsequently repaid out of the final sale of the merchandise.

Banks and finance companies have always played a major role in bringing together persons with funds and businessmen requiring capital financing. However, there has seldom been an organized effort in this direction. But if the current experiments of certain moderate sized finance companies succeed, a private, substantial means of meeting the small business need for capital financing will have been developed. It will provide a sound basis for making wider use of available funds, and tend to meet a most important need in our economy.

Transportation and Traffic



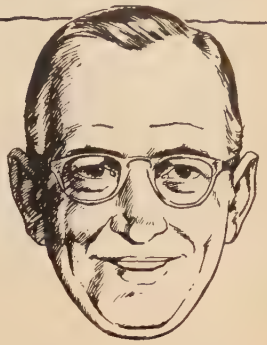
THE increases in railroad freight rates and charges authorized by the Interstate Commerce Commission in its order in Ex Parte No. 175, Increased Freight Rates, 1951, will become effective May 2, except that on grain and grain products they will become effective May 17. The rate advance will be 15 per cent, with certain exceptions, and will be uniformly applied in all territories. It will supersede the earlier increases approved in this proceeding which were nine per cent in Official territory and six per cent in Western and Southern territories and on all interterritorial traffic. The increases will be applied as a surcharge on total freight charges and will remain in effect until February 28, 1954, unless otherwise ordered by the Commission. The rate hike will also be made in the Docket No. 28300 class rates whenever such rates become effective. Freight forwarders have been granted permission to increase their rates and charges simultaneously and in the same proportion as the railroads. This latest increase in freight rates is the twelfth which has been allowed the railroads since the cessation of hostilities in World War II.

• ***I. C. C. Suspends Demurrage*** Orders — A temporary seasonal easing of the railroad freight car situation is responsible for the Interstate Commerce Commission suspending two service orders which were designed to promote a more efficient use of carrier equipment. Service Order No. 865, which imposes penalty demurrage charges on railroad freight cars held over the normal period for loading, unloading or any other purpose, was suspended, except on gondolas and flat cars, effective 7:00 a.m., April 9. Second Revised Service Order No. 856, which included Saturdays in computing demurrage charges, was suspended effective 7:00 a.m., April 16. Both suspensions are scheduled to expire at 11:59 p.m., May 31, 1952.

• ***Motor Leasing Order Postponed*** Indefinitely — The order of the Interstate Commerce Commission in Ex Parte No. MC-43, Lease and Interchange of Vehicles by Motor Carriers, scheduled to become effective April 1, has been postponed pending determination by the Supreme Court of the United States of an appeal filed by several motor carriers. The order would eliminate trip-leasing of equipment by requiring that authorized carriers performing transportation in equipment which they do not own do so only under at least a 30-day written contract or lease with the owner. Compensation in such cases could not be computed on the basis of any division or percentage of the rate or rates or revenue earned on any commodity or commodities transported in the vehicle.

• ***Eastern Rails Propose to Cancel*** Free Pick-Up and Delivery—The General Freight Traffic Committee — Eastern Railroads has docketed a proposal "to cancel all free pick-up and delivery arrangements on less-than-carload traffic at points in Official territory and to publish in lieu thereof pick-up and delivery charges reflecting the current cost at individual points." Written requests for hearing were due April 22. At the present time the railroads perform free pick-up and delivery service on movements within Official territory subject, however, to the minimum rates generally applicable for hauls of 300 miles. On

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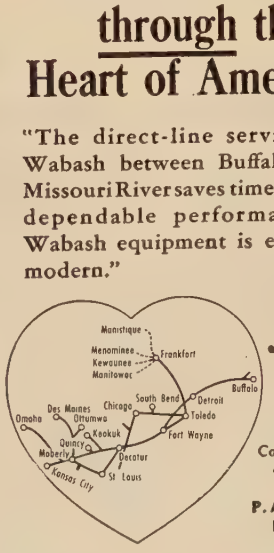
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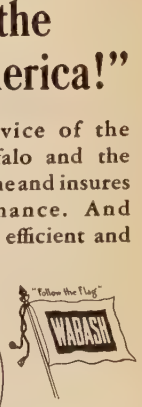
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interterritorial traffic from and to points in Official territory there has been under suspension a tariff naming specific charges for the pick-up or delivery service performed in Official territory regardless of the distance between origin and destination. In its recent report and order on the suspended interterritorial charges, the Interstate Commerce Commission held that the addition of the proposed charges on interterritorial traffic for pick-up or delivery services in Official territory with no similar charges applicable on like competing traffic within Official territory, except for distances up to 300 miles, would cause interterritorial traffic to be subject to an undue disadvantage and prejudice and the competing traffic in Official territory to an undue advantage and preference.

• ***Increased Illinois Truck License*** Fees Upheld — By a unanimous decision of the State Supreme Court, legislation passed at the last session of the Illinois General Assembly increasing truck license fees was upheld. The increased license fees amount to approximately $20,000,000 additional revenue annually effective January 1, 1952, and an additional $8,000,000 annually effective January 1, 1954. These higher fees were not collected at the first of the year pending the Supreme Court's ruling on the constitutionality of the law. However truckers were notified that they would be billed for the higher rates retroactive to January 1, 1952, when and if the law was upheld. An injunction against collection of the higher fees was issued by the Sangamon County Circuit Court last fall when Judge Clem Smith declared the law confiscatory, arbitrary and discriminatory. A petition for reconsideration has been filed with the Illinois Supreme Court.

Britain's Bid for Exports

(*Continued from page 22*)

interesting. Among last year's crowd was a Nigerian businessman — Alhaji S. A. Akoshile, managing director of Akoshile Brothers of Lagos in Nigeria and Headman of the Yoruba Tribe — who came to the fair with his own Farina and cooking pots. Apparently he had heard

f Britain's austerity way off in Africa.

While many trade fairs are held hroughout the world, a large por- ion of these, especially the big nes, are international exhibits. The vares of many lands and nations re displayed at such international airs as America's first international rade fair in Chicago in 1950. At he BIF, however, space is devoted olely to Britain's goods with the xception of a small section turned ver to Commonwealth govern- nents to show natural products of heir own lands.

Admission to the BIF is free to verseas buyers, who get a special adge when they register. British uyers, however, pay 70 cents for heir badges. A visit to BIF costs he general public, when it's al- owed in, 35 cents a head.

Trends In Finance and Business

(Continued from page 10)

o obtain a comparable market cov- rage.

Of all major media covered in he analysis, in only one — television — have costs declined per thousand f people reached. Although TV osts this year are 30 per cent over ast year, coverage has increased 50 er cent, with the result that costs er thousand viewers has dropped 4 per cent. TV spot commercials ave also dropped five per cent in ost below 1951.

Boom in Boron — The American ron and Steel Institute reports that he production of alloy steel with oron has been increasing sharply n recent months. In January, the roduction of 70,077 tons of alloy teel ingots, other than stainless, with boron, was nearly 2½ times as reat as the monthly average in 1951. This tonnage was nearly nine er cent of total nonstainless alloy, ompared with a monthly average f four per cent last year.

The steel makers have been using oron, which is plentiful, to con- erve such elements as nickel, mo- ybdenum and chromium, all of which are in critical demand in the aircraft and other defense indus- tries. The use of boron makes it possible to continue the extensive use of alloy steel for civilian appli- cations during the current shortages.

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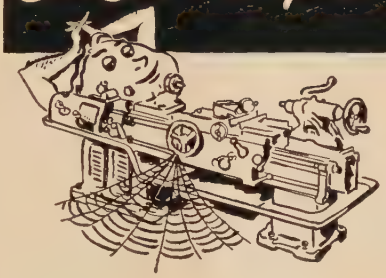


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A high-speed, manually operated device for marking purchase order or similar information on bars, tubes, and rods of metal, plastic, glass, wood, or rubber has been developed by Adolph Gottscho, Inc., Hillside, N. J. The "Rolamarker" imprints a permanent legend in a continuously repeated pattern in less time than is required for painting, stenciling or rubber-stamping. The device automatically re-inks the printing type after each impression.

For Occasional Dictation

A remote control telephone dictation system, designed for a group of occasional users in an office, has been developed by the Gray Manufacturing Co., Inc., Hartford, Conn. The system, called "PhonAudograph," includes a number of individual dictation telephones with a single recording unit, thereby providing relatively inexpensive dictation facilities. Gray believes the system would be ideal, for example, in a hospital where it would enable doctors to dictate reports from every room.

Portable Taper

Gummed tape can be used to seal cartons away from the shipping room with a portable tape dispenser, called "Roll-On-Sealer," developed by Mid-States Gummed Paper Company of Chicago. The dispenser has a non-spilling water tank and can be used upright, on its side, or even upside down. It is said to have a minimum of moving parts that are all quickly replaceable.

Safety Posting

A combination posting tray and safety box for confidential office records has been introduced by Intasco Corporation, 3021 W. Carroll Avenue, Chicago 12. Built of lightweight aluminum with double locks and clasps, the tray-box takes any type of index and has a capacity of 350 cards. Open, it is a posting tray; closed, it is a safety box.

Packaging Aid

"Celluliner" is the name given a new cellulose-based cushioning material for protecting delicate instruments and the like in shipment. The manufacturer, Gilman Brothers Company, Gilman, Conn., says the material has two-thirds the resilience of sponge rubber; it comes in absorbent or nonabsorbent types.

Plastic Bread Box

A bread box made of polystyrene plastic that is said to keep an open loaf of bread fresh for at least a week is being marketed by Tri-State Plastic Molding Company, Henderson, Ky. The "Freez-R-Ware" bread box is loaf-shaped and shatterproof, and does not retain or transmit kitchen odors.

Pattern Duplicator

The Raytheon Manufacturing Company has developed an electronic robot that "feels" the contours of a master pattern and thus guides the machining of hundreds of exact duplicates more accurately and in less time than by manual operation. The "Single Motion Duplicator" is said to speed up as much as seven times the turning of bearings, pulley sheaves, mill rods, printing machine rolls and similar parts of irregular contours. Since installation problems of the dupli-

ator vary with the machine on which it is to be used, the Voss Engineering Company of Pittsburgh, Pa., is serving as distributor for the equipment.

Inexpensive Geiger

A Geiger Counter, said to be as accurate as costly laboratory models but considerably lower priced, has been introduced by Precision Radiation Instruments, 4113 W. Jefferson Blvd., Los Angeles 16, Calif.

Here, There and Everywhere

(Continued from page 9)

returned it today." Another woman who bought a pair of button shoes in 1908, returned them in 1946 with the explanation that just after buying the shoes, she broke her ankle and forgot the shoes for 36 years. Fields refunded her $2.97.

• ***Billion Dollar Club*** — There's a new member in American industry's billion dollar club. The air-conditioning business achieved that lofty level for the first time last year, according to the Carrier Corporation, which this year, on the fiftieth anniversary of commercial air-conditioning, predicts that the next half century will see the industry increase at least five fold over today's sales level.

"Biggest Show"

(Continued from page 14)

city will, of course, add extra equipment, and for Very Important People — now defined as senators, governors and national committeemen attending the conventions — there will be an official "courtesy fleet" of 200 Fords, Mercurys and Lincolns provided by Chicago auto dealers. The "VIP Fleet" will be distinguished by red, white and blue license plates prepared by the secretary of state.

In addition to the political luminaries who will populate Chicago in July, hardly a news writer or broadcaster worthy of a front office publicity photo will not be on hand to chronicle the events of the day or interpret them. The networks will each dispatch a small army of newsmen and commentators to con-

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ention headquarters. In the NBC igh command will be H. V. Kalenborn, John Cameron Swayze, Richard Harkness and Morgan Beatty. CBS audiences will be enlightened on the intricacies of convention politics by Edward R. Murrow, Robert Trout, Eric Sevaried nd Lowell Thomas supported by n ample team of supporting talent, nd ABC will have on hand John Daly, Elmer Davis, Drew Pearson, nd — for the inevitable "woman's iewpoint" on politics — Mary Margaret McBride.

To carry the conventions in word nd picture to the outer world, the nost expensive collection of radio-TV equipment ever assembled will e moved into Chicago. NBC alone vill import $1,500,000 worth of quipment, including three new nobile units and what the network lescribes as a "crash truck." This is "super mobile unit" containing our TV cameras, plus movie camras, a dark room, control equipment and a self-powered transmitter — making the unit virtually a midget Radio City on wheels. NBC will also have on hand its "walkie-ookie," a back-pack, one-man electronic camera.

Radio-TV Pool

Pooled radio-TV facilities at the Amphitheatre will require 55 microphones to link each delegation chairman and the rostrum to control booths as well as to the public address and motion picture newsreel systems. This pool set-up will require about 100 miles of wires and 10 tons of equipment in the six radio booths. Aside from the pooled operations, the north and south wings of convention headquarters will have individual radio and TV studios, to which enterprising newsmen can lure political figures for exclusive tete-a-tetes. All told, the networks are spending about $250,000 for construction work in the Amphitheatre.

Radio men are old hands at covering political conventions, the 1952 sessions being radio's eighth such job. The first conventions carried by radio were the Republican sessions at Cleveland and the Democratic conclave in New York in 1924. At that time the proceedings were broadcast in only 12 cities.

When both parties met in Philadelphia in July, 1948, television

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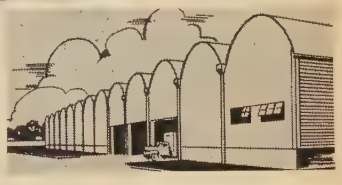
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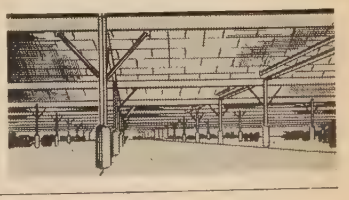
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made its debut, but only 18 east coast stations could pick up the telecasts directly and most of the nation's other 12 TV stations carried kinescope recordings. Then, only 450,000 TV sets were in use.

In deference to the role that TV will play in bringing politics into the living rooms of America, minute attention is being given to such details as decorating the convention hall in soft colors to provide a good "TV background." Nor are the politicians themselves unmindful of the millions who will be witnessing them in action for the first time. There is nothing quite so long-winded and boring as a fullblown convention oration and both parties are imploring their followers to abbreviate the oratory for the sake of TV viewers. The Democratic National Committee is going a step further; on the presses is a TV primer of do's and don'ts to help party leaders avoid flubs while "on camera."

Enough Room?

The Amphitheatre has already alerted its food department to the chore ahead. The restaurants operated by the Stock Yard Company seat only 3,000, but they are preparing to serve 10,000 meals a day in shifts. For those willing to eat on the run, tons of hot dogs, ice cream, popcorn and soft drinks will be dispensed at refreshment stands.

Although the Amphitheatre contains 256,000 square feet of floor space, the seating of delegates and alternates on the floor is going to be a tight squeeze for the Democrats. The Republicans should have no difficulty in seating about 2,400 delegates and alternates, but the back railings of the arena will have to be moved to accommodate the 3,152 Democrats with voting credentials. National committee members will be seated on the stage and VIP's in the mezzanine connecting it. The stage at the west end of the Amphitheatre will be surrounded by 860 press seats.

Aside from being the focal point for month-long national attention Chicago stands to benefit financially as host city to the President-makers. The Chicago Convention Bureau estimates a minimum of $6,000,000 will be spent in food, lodging, entertainment, and services by delegates during the two four-day conventions. For each day either the Republican or Democratic sessions run over the customary four days an additional $700,000 will probably be spent. These estimates are based on spending studies of 20 different groups that have convened in Chicago.

Chicago has entertained more nominating conventions than any other city in the nation — 12 of 24 Republican national conventions and seven of 30 Democratic conventions. Chicago conventions have been the scene of many a dramatic and precedent making event. The landslide election of 1932 was touched off by the nominations of Hoover and Roosevelt at the Chicago Stadium. The Democrats nominated Roosevelt for a precedent-shattering fourth term in 1944 at the Stadium.

Dramatic as some former Chicago conventions have been, there is an excellent chance that this year's powwows will be every bit as sensational as those of the past. Chicago, which loves a political scrap, is likely to have several this summer right in its backyard — with all the nation sharing the spectacle.

The Steel Case

(Continued from page 28)

taxes are less than 85 per cent of the average of the three best years between 1946 and 1949. If wages were governed by the same rules, employes would be protected against consumer price rises only up to July 15, 1951, and would be given no relief until the purchasing power of their straight-time hourly earnings had fallen to 85 per cent of the average of the three best years in the period 1946-1949.

A wage-price stabilization program cannot command the support of the public for long unless it applies substantially the same principles to both wages and prices. The present program should be reformed without delay.

In December 1951 the Committee for Economic Development proposed that both employes and em-

loyers be protected against rises direct costs, but that protection e moderately less than complete. Had the principles recommended y the C.E.D. been guiding the resent wage-price stabilization pro-ram, there would have been an xcellent chance that the steel dis-ute would have been settled by ollective bargaining. The steel ompanies, knowing that they could ass on a considerable part of a age increase in the form of higher rices, would have been in a posi-on to make an offer to the union something they could not well do hen the size of price increases that ight be allowed was uncertain. nless the present system of price-age controls is reformed along nes similar to those recommended y the Committee for Economic De-elopment, these controls should be llowed to lapse. It would be better r the country to run the risk of me inflation.

What should the country do bout strikes or prospective strikes at would imperil the public ealth or safety or threaten eco-omic disaster?

Taft-Hartley Provisions

The Taft-Hartley Act falls far ort of providing good arrange-ents for dealing with emergency isputes. It provides that whenever e President believes that a dis-ute might threaten the national ealth or welfare, he may appoint board of inquiry to report on the cts and the positions of the par-es. If the board finds that a stop-age would produce a national mergency, the President may ask e Attorney General to seek an njunction enjoining the strike or ckout. If the district court finds at a stoppage does or would im-eril the national health or safety, e court may enjoin it. If the dis-ute is still unsettled at the end of 0 days, the board of inquiry re-orts to the President the position f the parties and the efforts that ave been made to settle the dis-ute. Within 15 days after this re-ort, the NLRB is directed to take secret ballot of the employes of ach employer on the question of ccepting the final offer of the em-loyer. Within five days after the ote, the NLRB must certify the esults to the Attorney General who

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then obtains a discharge of the in junction.

This procedure is not well cal culated to settle difficult disputes It quite unnecessarily arouses th feelings of employes by causing an injunction — an unpleasant word - to be issued against them. The 60 or 80 day status-quo could be easil achieved without an injunction b imposing on both sides the obliga tion to make no changes in wage or working conditions for a limite period, as is done by the Railwa Labor Act. The vote of employe on the employer's last offer at th end of sixty days is bound to resul in a rejection, as it has whenever a vote has been held. Worse, th vote is bound to impede a settle ment. The employer, anticipatin that the vote will be unfavorabl and that he will eventually have t raise his offer, will naturally keep his "last" offer low.

New Legislation?

Confusion would be avoided an the ground would be prepared fo the development of constructive ar rangements to handle emergenc disputes if the emergency disput section of the Taft-Hartley Act wer repealed.

What arrangements then should be made available to the govern ment for handling emergency dis putes? One instrument should cer tainly be seizure, but proper au thority should be provided an seizure should be surrounded wit safeguards. Arrangements for han dling emergency disputes should include:

1. A stand-still period lon enough to permit adequate invest gation of the dispute.

2. Authority for the President t appoint an emergency board of pub lic members to investigate and rec ommend terms of settlement — in board essentially the same as th emergency boards created under th Railway Labor Act.

3. Authority for additional step to be taken if one side or both sides reject the recommendations o the emergency board. Experienc indicates that rejection is likely t occur in a considerable proportio of cases. The government should be given three additional power for dealing with this situation. On is authority for the President t enter into arrangements with eithe

or both parties to continue essential services to safeguard the public. This would enable the parties to carry on an economic fight without inflicting intolerable injury upon the community. The second is authority to seize the property and to operate it for the account of the owners. The third is authority to hold a show-cause hearing at which the parties would be given an opportunity to show why the recommendations of the emergency board should not be put into effect.

A Trial Period?

If the government, after the show-cause hearing, decides to put the recommendations into effect, strikes or lockouts should be prohibited for a limited period of time—say six months. The parties should be permitted, of course, to reopen the case by mutual consent at any time and either party should be permitted to reopen the case without the consent of the other at the end of the period of six months. This would make possible a trial of the recommendations for a brief period and a fresh start on settling the case after six months or before.

The recommendations of the emergency board might not be satisfactory to either party, but it is important to bear in mind the nature of a dispute that exists after an emergency board has made recommendations. The dispute is no longer the original one that divided the parties. It has been reduced to the difference between the recommendations of the emergency board and the conditions either the employer or the employes would prefer to have. Parties rejecting the recommendations would be unwilling to accept the terms that impartial men regard as reasonable.

Disputes threatening national emergencies are bound to occur from time to time. The public has the right to expect that experienced labor leaders and experienced industrial relations executives propose and sponsor adequate arrangements for dealing with these disputes. The new administration that takes office next winter, whether Democratic or Republican, should ask the leaders of labor and industry to recommend well-thought out arrangements for handling emergency disputes.



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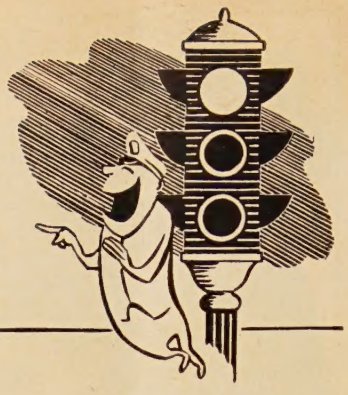
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Stop me...If...



A guest handed the hotel manager a bouquet of flowers. "It's for the 'phone girls," he said.

Pleased, the manager said: "Thank you, sir, thank you, sir. I know they will appreciate the compliment."

"Compliment," roared the guest. "I thought they all had died."

•

A canny Scot was engaged in an argument with the conductor on what the fare should be. Finally, the disgusted conductor picked up the Scot's suit case and tossed it off the train just as the train was crossing a bridge. It landed with a splash.

"Hoot, mon," screamed Sandy. "First ye try to rob me and now you have drowned me boy."

•

Traffic Cop, bawling out lady speeder: "Forty, at least."

Lady: "Only thirty. It's this hat makes me look forty."

•

Irate salesgirl to disagreeable customer: "Go easy, madam. The days when I used to insult customers are still fresh in my mind."

•

Back in the hill country two neighboring hillbillies were arguing over the death of a cow. It seems the cow had strayed into the still belonging to one of them and had subsequently died after drinking a considerable amount of moonshine.

"It waarn't my likker what killed your cow — she come home to you giving egg nog and you milked her to death."

•

Secretary: "Your wife wants to kiss you over the telephone."

Employer: "Take the message and give it to me later."

•

The minister stood at the door of his church greeting the children as they came to attend Sunday school. Recognizing one little fellow who attended infrequently, the minister said: "I'm glad to see you here today, Bobby. What do you expect to learn this morning?"

"That's easy," replied the lad brightly, "the date of the Sunday School picnic."

Salesman: "Where is the manager's office?"

Steno: "Follow this passage until you come to the sign reading 'No Admittance'. Go upstairs till you see the sign 'Keep Out'. Follow the corridor till you see the sign 'Silence'. Then yell for him."

•

Bridesmaid: "She's the angriest bride-to-be I ever saw. I thought the newspaper had a full account of the wedding plans."

Maid-of-Honor: "It did — including the fact that the groom is a well-known collector of antiques."

•

Psychiatrist: "Do you ever hear voices without being able to tell who is speaking or where the voices are coming from?"

Patient: "Oh, yes."

Psychiatrist: "When does this occur?"

Patient: "When I answer the telephone."

•

Young man: "Would you marry a guy just for money?"

Girl: "Are you gathering statistics or proposing?"

Teacher—"What is capital punishment?"

Pupil (whose father is a big business man) — "It's when the government sets up business in competition with you, and then takes all your profits with taxes in order to make up its losses."

•

In a radio sidewalk interview, a woman said she had just bought ten dresses.

"What would any woman want with ten dresses?" exclaimed the interviewer.

"Ten hats," she snapped back.

•

Sunday School Teacher: " . . . and that is the story of Jonah and the whale. Now, Willie, what does this story teach us?"

Willie: "It teaches that you can't keep a good man down."

•

An icy voice cut into an uninhibited telephone conversation, "Do you know whom you are addressing?"

"No," said the sergeant.

"Well, this is Major Throckmorton."

"Major," said the sergeant, "do you know whom you are addressing?"

"NO!", thundered the major.

"Thank God!", said the sergeant and hung up.

•

Tom: "The boss told us when he was a boy on a farm they had a mule that was just like one of the family."

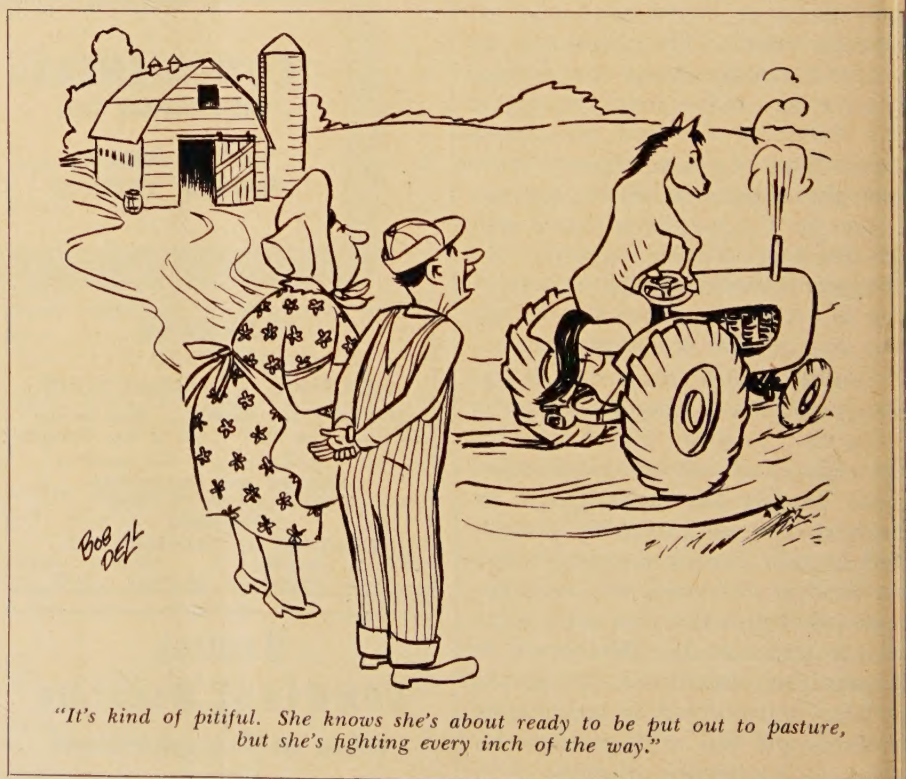
Bill: "Yeah, and I know which one."

•

"Poor man! He was ruined by untold wealth."

"Untold wealth?"

"Yes, he didn't tell about it in his income tax return."



"It's kind of pitiful. She knows she's about ready to be put out to pasture, but she's fighting every inch of the way."